

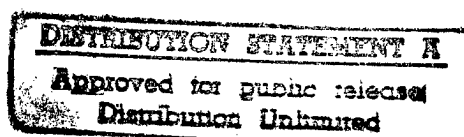
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JPRS Report

East Europe



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Call for Civil Defense Law, Organization
92P20303A

[Editorial Report] Three articles in the Albanian Republican Party newspaper REPUBLIKA and one article in the Socialist Party paper ZERI I POPULLIT, all by Arjan Fagu, deal with the lack of attention to civil defense on the part of the political parties and the government.

Writing in Tirana ZERI I POPULLIT in Albanian of 1 April 1992 on page 2, Fagu says that civil defense in Albania is treated only in a military framework and urges the adoption of a civil defense law "like the entire civilized world has." He says: "The Albanian Society for Disaster Assistance calls on all public opinion to be concerned about catastrophes. We are unprotected. The issue of civil defense must be resolved with the approval of a basic law on civil defense by the People's Assembly."

In Tirana REPUBLIKA in Albanian of 2 April on page 2, Fagu writes that the Albanian Society for Disaster Assistance, "a nongovernmental, nonpolitical humanitarian association," will work for the preparation of a civil defense law for protection in the case of natural disasters and catastrophes and for the "institutionalization" of civil defense by the creation of a Department of Civil Defense.

In the 9 April issue of REPUBLIKA, on page 2, Fagu says that none of the programs of any of the political parties even mention civil defense and asks: "How long will Albanians be denied the right to protection in the case of catastrophes?" He continues: "At the present time, civil defense, as an activity, is directed by the Ministry of Defense, by means of the Directorate of Civil Defense. On the ministerial level and at the grass roots, civil defense is handled by the military, by means of military representatives in the ministries and the executive committees [of the people's councils]. This practice is borrowed from the East." Fagu concludes by presenting the views of the Albanian Society for Disaster Assistance as follows: "The Civil Defense Law should be approved as soon as possible by the new People's Assembly as a component part of the new Constitution of the Republic of Albania. The Albanian Society for Disaster Assistance prepared this law on the basis of the civil defense laws of Italy and France. A department for civil defense (the State Committee for Civil Defense) should be created. As soon as possible, Albania should become a member of international bodies which deal with civil defense."

Another article by Fagu, identified as "a worker in the civil defense unit of the Republic," published in REPUBLIKA of 23 April, on pages 1 and 3, reports that there was no mention of civil defense in the government program presented to parliament by the new prime minister, Aleksander Meksi, on 18 April. Fagu says: "The new government is denying the entire nation its most basic and ancient right—the right to protect life and property from natural disasters and catastrophes.

There is an explanation for everything. It seems to me that neither the prime minister nor the new members of the government are familiar with civil defense." He continues: "The institutionalization of civil defense in Albania is an urgent duty of the first democratic government and of the prime minister." He presents four possibilities: a Ministry of Civil Defense, a State Committee for Civil Defense, a General Directorate of Civil Defense in the Council of Ministers, a Directorate of Civil Defense and Firefighting Services in the Ministry of Public Order. He reiterates his earlier demands for the approval of a law on civil defense in the framework of the new constitution and for Albania's membership in international civil defense bodies and calls for the establishment of a special governmental commission "which will be concerned with organizing civil defense in Albania, in cooperation with foreign specialists in the area of civil defense."

Fagu concludes: "Up until now, the Albanian people have not experienced the benefits of civil defense. This is proven by the hundreds of hectares of forests which have burned; the thousands of tons of aid which have been stolen; the factories and schools which have burned down; the atmospheric pollution, which has become an ecological catastrophe; the expansion of buildings, without any regard for planning criteria; and the wretched infrastructure, which has no future. Our people, who have had much suffering, will not pardon anyone for any more silence and indifference in regard to the serious matter of civil defense."

Blood Feuds Settled in Shkoder Highlands

AU1006104292 Tirana REPUBLIKA in Albanian
28 May 92 p 3

[Article by Ndoc Deda: "The Right of Pardon Belongs to the Tribe That Forgives"]

[Text] In our work as Republicans, we have come across the savage custom of blood revenge. We had five or six cases in Shkreli, Kastrati, and some other areas.

The Republican Party's branch at Bratash with its chairman Mr. Gjok Luca first raised the problem of how to organize wise men for this humanitarian mission. We later met wise men from Hoti, Kelmendi, and Shkreli, while our main help came from within the ancient tribe of Kastrati, or what used to be called Kastrati village, with 300 households. We planned a program of work, according to which groups of local people mixed with guests would call on the man who was to pardon blood in order to morally prepare him for the realization that by avenging the blood of his son he would be going against not only his guests and his friends in the tribe, but also the commandments of Almighty God, whose Fifth Commandment of the Ten is: Thou shalt not kill.

Anyone who has not witnessed such scenes of the forgiveness of blood feuds can realize how difficult it is to ask a man to give up revenge, when the Canon of the Mountains states: "Revenge is a duty to society." It is

not merely a question of persuading the victim's parents. One must work to persuade the entire tribe, because if a single person says "I do not forgive the blood," the business is unsettled. We went several times to Bratosh before settling the first feud, but always optimistic about these highlanders' generosity of spirit.

Respect for the wise men and elders of the tribe is characteristic of our men of the mountains.

Ninety-two-year-old Brahim Haxhia rose to his feet with dignity and turned to the head of the household and the tribe with the following words: "I heard that these honored men from Malesia e Madhe and the holy father were coming and I said to myself, 'You, too, Brahim, take up your stick and go where the men are going today.' Everyone tells you to do the great honor of forgiving blood, but I say the opposite, 'Nikolle, take revenge.' The moment has come, and we want to put a gun in your hand, but this fine weapon is the weapon of love for those who have done you wrong. Use this gun to avenge the blood of my son in Shkreli, and that of others in Hoti, Shkoder, Puke, and as far as Gjirokaster. Let fly this summons to arms and let all those who need to avenge the blood of their brother or son do so today like you. Taking revenge through love for man and God who has brought us this day, judging well like men, because enough blood has been spilt and we now need conciliation and brotherhood, like brave Kosovo led by Anton Cetta [writer, arbitrator of blood feuds]. Dangerous times kill, but a brave man forgives. Therefore, fire this gun as a war cry today. Let it be as loud as a cannon, and let us go proudly toward the conciliation of the entire Albanian nation!"

Brahimi recounted his sufferings in the cells of the Albanian Pontius Pilate—18 months of investigations and inhuman torture.

"But who should I condemn for what was done to my body?" Brahim continued. "Our future now demands that we should try to forgive with manly courage, and I think that this is what we must do. When I was in prison, I mentally cursed priests and imams. When they explained to me about heaven and hell, they said that they exist, but nobody should worry about that because hell was here in Albania and the great Lucifer was Enver

Hoxha, who made our lives hell. Now there is nothing left for us but to build a new democratic life with churches and mosques and Albanian national customs and traditions, and may God help us all."

His speech gave us wings. Nikolle Gjergji, the pardoner of blood, after thanking his brothers from the tribe of Kastrati, Father Konstandin, and the guests from Hoti, Kelmendi, and Shkreli, spoke up with the dignity of a heroic highlander and uneffusively said, "Men, may the blood of my son be forgiven and from today may we be brothers for ever." With tear-stained faces, the men congratulated him with a single voice. "May your family have honor down the generations."

This was a good start. Another shedding of blood was forgiven at the church of Shkreli in the presence of 3,000 believers on 10 May, when Nikolle Pjetri forgave his enemy just as an Albanian knows how to forgive according to the law of the mountains.

At a time when the honorable men of the nation at home and abroad are working for national conciliation, it has occurred to the brilliant mind of a certain gentleman called Haxhi Gjoka to form a famous party with the ugly name of "Party of Revenge According to the Law" [Partia Hakmarrja Sipas Ligjit]. My view of this party and its members and supporters is that these gentlemen are outside the law and must be the spawn of Sami Milosevic [name as published]. I do not want to offend these brave lads led by their Haxhi Gjoka, but I want to remind the gentlemen that the time has come for the sword to yield to the brain, to the brilliant brains that our nation has never lacked and that are issuing to us the patriotic call to take to the battlefield and help to bury all evil for the sake of the nation. The martyrs should also join the powerful voice of the homeland: Let us not allow anybody else to open new wounds in the exhausted, long-suffering, wretched, and destitute body of the homeland, to add to those caused by the inhuman bloodsucker Enver Hoxha and his communist dictatorship.

From this platform, I ask you intellectuals to condemn, through your articles in all the democratic press, parties of this kind that seek to bring back the past, when our hearthstones were washed with the blood of our best.

Social Democracy Alliance Conference Reported

AU1306155892 Sofia DUMA in Bulgarian 8 Jun 92 p 1

[Article by Boyka Bashlieva, Dora Chichkova, and Vasil Popov: "The Social Democracy Alliance Is Not a Splitting Sword; The Socialists Are Opening New Political Horizons"]

[Text] The Social Democracy Alliance [OSD] strives for unification rather than division and is not likely to split either the Bulgarian Socialist Party [BSP] or our society. It is the ambition of the OSD supporters to propose alternative social solutions for future development both to the party and to our society. This was emphasized by all participants in the First OSD National Conference held on Saturday and Sunday [6-7 June] at the National Palace of Culture in Sofia.

The OSD intends to establish discussion clubs on the BSP "fringes." They should be open to all individuals who support left-wing or centrist views. Delegates, consisting of 16 nonparty citizens and one member of the Bulgarian Social Democratic Party [BSDP], attended the conference along with the regular BSP members. The Socialists who would join the OSD clubs are preserving their membership in basic BSP organizations.

For the first time since 10 November 1989, a BSP forum was honored by the presence of foreign guests, namely the following: Jutta Tiedge, from the German Social Democratic Party; Ole Jespersen, from the Danish Social

Democratic Party; Yanakis Omirou, from the Socialist Party of Cyprus; Pirooska Apro, from the Hungarian Socialist Party; and Giovanni Matteoli, from the Democratic Party of the Left of Italy. Representatives of the Hungarian, Polish, Russian, and U.S. Embassies also attended.

Left-wing and centrist parties and organizations from the Bulgarian political spectrum also manifested their interest in the work of the conference. Members of the BSP Supreme Council Executive Bureau were also present as guests.

The Political Council, which was approved by the conference for a one-year period, is composed of 33 National Assembly deputies, who declared themselves as OSD members, and of 31 coordinators for the electoral districts.

The Council elected Prof. Chavdar Kyuranov as its chairman. Aleksandur Tomov and Dimitur Yonchev were elected as his deputies, and Rosen Karadimov was elected to the post of coordinating secretary. Petya Shopova, Elena Poptodorova, Velislava Dureva, Georgi Bliznashki, Georgi Pirinski, Filip Bokov, and Ivelin Nikolov are members of the leadership.

The delegates recommended that the Political Council establish a foundation or an association for the development of social democratic ideas and assistance to socially underprivileged supporters.

German Political, Economic Interest in CSFR

92CH0602B Bratislava SLOBODNY PIATOK in Slovak
15 May 92 p 4

[Article by Svetoslav Bombik: "German 'Ostpolitik' and Central Europe: Cautious Ambitions"]

[Text] The Federal Republic of Germany unquestionably belongs among the most dynamically developing countries in the world. Even in spite of some fractional economic problems that developed after reunification with the German Democratic Republic, the growth of the GNP for 1991 was 3.2 percent. However, labor productivity in the joined eastern lands did not reach even 30 percent of the level in the western part. The disparity between the level of the "old" and the "new" part of the country can lead to some internal destabilization and escalation of various forms of political extremism. It is therefore natural that the dominant internal political problem of the FRG is the process of equalizing the differences between both parts of Germany.

The internal political situation in the FRG is correspondingly reflected also in the structure of its foreign policy priorities. While on the one hand the reunification opens for Germany the way to a considerably important position in Europe as well as the world, on the other hand, the reunification process is not yet completed, which makes it necessary to create optimal international conditions for it. And so the present German foreign policy appears to be shifting back and forth between caution and increasing power ambitions.

Maintaining Stability

At the present stage of political developments, the creation of an optimal foreign policy atmosphere for the German reunification process requires, first and foremost, an effort to maintain stability in the CIS [Commonwealth of Independent States], which is the priority of German foreign policy. The FRG has an eminent interest in a democratic development in those countries, in resolving the military-security situation, mainly as it concerns nuclear arms. Turmoil in this area, possible resurgence of communist militarism, or possible military conflict between individual countries could result in complications in the withdrawal of former Soviet troops from the FRG territory, or directly threaten it. A similarly negative outcome could result if there is a total economic breakdown of these countries.

Although Germany announced that it reached the limit of what it can do to help the Central European countries and called on the United States and other countries to help with a kind of new Marshall Plan, such call could have hardly changed the situation in any significant way. The strategic interests of the United States are directed more toward the Middle East, and it appears that it left the strategic initiative in Central and East Europe to Germany. The possibilities of France and Great Britain to fully meet the economic needs of Central European

countries are limited by their economic potential and economic orientation toward their former colonies. In light of these generally known facts, the question arises as to whether the German call was not just a kind of gesture. After all, the east has been traditionally the domain of German policy.

In its present "Ostpolitik," Germany must finance and achieve optimum balance in three spheres: individual CIS countries, Central European countries, and new federal lands.

How do specific Czecho-Slovak-German relations appear against the background of what was said above? There is a fundamental asymmetry symptomatic of the relations between Germany and the CSFR: While the relations between Germany and CSFR are the priority of Czechoslovak foreign policy, relations with CSFR are not the priority of the German foreign policy. The FRG is the largest business partner in Czechoslovak export (25 percent of volume) and after the CIS, the second largest partner in Czechoslovak import (20 percent of volume). Moreover, the FRG contributes most to the inflow of capital to the CSFR, its share of it in the Slovak and Czech Republics is around 85 percent. Private German capital (Siemens, Volkswagen, Mercedes Benz, Standard Electric Lorenz) penetrated into many important entities of the Czechoslovak economy.

Slovakia in German Plans

From the international point of view, with respect to some aspects of the crisis in Yugoslavia, it bears asking what is the German position on the possible disintegration of the CSFR; or, does Germany have an interest in such a disintegration? The question also has its rational core in connection with the signals from some of the politicians in Slovakia, who contemplate the creation of an independent Slovakia and could be assuming that there will be a repeat of the situation from before World War II, that Germany will again assist in the breakup of Czecho-Slovakia and become what an independent Slovakia would need the most: an economic helper and guarantor of Slovak (southern) borders. This question has a certain substantiation also in the fact that when sometimes Czech politicians, or rather the Czech directors of the federal establishment do not, in Slovak view, adequately support Slovak interests, for example as far as Hungary is concerned, part of the Slovak political establishment pays them back by playing the "German card."

As long as the breakup of the CSFR does not mean destabilization of Central and East Europe, which could result in a threat to German security, Germany does not have a reason to be particularly interested in preserving the Czecho-Slovak federation. Especially if the breakup would not threaten Germany's democratic image. It would be quite paradoxical if precisely Germany were to moralize Slovakia because of its separatism, although it could do so precisely in order to preserve its image. It is possible that a potential independent Slovakia under the

leadership of some components of the nationalist camp would have more cordial relations with Germany than the federation now has under the Czech directors with their sum of negative historic experiences. The legal aspects of Czech-German relations would also be put in a different position. In the Czech press there appeared the opinion that "the idea that the Czech nation will live in a state without 5 million Slovaks but with several million Sudeten Germans on its own territory is no longer so absurd." (INTERNATIONAL POLITICS, January 92). This idea could be downright enticing to some political forces in the FRG (*Landsmannschaften* [association of refugees and expellees], radicals in the CSU), who would be possibly willing, with regard to this prospect, to support politically and financially a certain part of the Slovak nationalist camp. Germany thus could have an interest in seeing the breakup of CSFR, if the federation, or rather its Czech representatives were to pursue policies contrary to German interests and there were a possibility that Slovakia would again pursue a pro-German policy.

Was National Rebirth a Mistake?

The Czech political establishment is divided on the issue of relations with Germany. On one side is a group of younger technocrats and managerially oriented politicians who want to build up the Czech lands as quickly as possible into a prosperous Western country, and who have a positive attitude toward the influx of German capital while being lukewarm on the problems of cultural and national identity. On the other side are older politicians of an intellectual disposition, whose behavior exhibits more of the typical Czech circumspect attitude in relations with the Germans. Introduced again among the intellectuals and politicians is the Czech existential question whether it is worth striving for national ethnic individuality or whether it would be better to give in to this new pressure and integrate with Germany.

This, therefore, is the disposition of political views on which the current Czech policy, or rather that of the Czech part of the federal establishment, is based. Thus far, the federal government has not been successful in balancing out the German economic influence by a possible cooperation with countries that were present at the birth of Czechoslovakia, which also certainly influences German policy in relation to the breakup of the CSFR, particularly from the economic point of view. Considering these trends, it is only a matter of time before the Czecho-Slovak area will become part of the economic (?) zone of German influence. For this reason, the German government will obviously not take any steps leading to the breakup of the CSFR. It is enough for Germany to support the integration of the CSFR into the EC, which it is doing, and at the same time support the conception of the EC based on free movement of capital and people, which it is also doing, and these realities will open the CSFR (or, the Czech lands) fully to German (or, Sudeten) capital and de facto will make possible the repatriation of Sudeten Germans, or, in other words, Germany. And all this without the potential negative

repercussions which could accompany this process if the same were done by supporting the breakup of the CSFR. A possible reason for not supporting the breakup of the CSFR could also be the fear that from the security point of view, the breakup of the CSFR could destabilize Central Europe, and a conflict that could possibly link up with the Balkans or Ukraine and CIS could in the end grow into a direct threat to FRG. A further reason against it could be the above-mentioned concern about the loss of the democratic image and an increase of anti-German feelings and pressures brought about by memories of German military expansionism.

The problem therefore remains open. But it is possible to imagine that the support that might come from Germany for the effort to bring about the breakup of the CSFR would come from the radical circles of the CSU [Christian Social Union] or the *Landsmannschaft* group rather than from official government circles. This tendency also appears to be a possibility for the future with respect to the internal political developments in the FRG. It is very unlikely that the CSU would have an exclusive influence on the German foreign policy. The situation favors more the Social Democrats, who, similarly as the liberal Free Democrats, hold an even more moderate position on German relations with the CSFR than the current Christian component of the government coalition.

No matter what happens to the CSFR, even after a possible breakup the Czech Republic and the Slovak Republic or even the entire Central Europe will continue to be confronted with the problem of their relations with Germany. The question of Central Europe is a question for the world. Is there another way for the CSFR or the CR [Czech Republic] and the SR [Slovak Republic], or even the whole of Central Europe, than a Central Europe integrated into the EC?

Review of Citizenship Policies in Both Republics

92CH0602A Bratislava SLOBODNY PIATOK in Slovak
15 May 92 p 4

[Article by Jan Rychlik: "State Citizenship in Case the State Breaks Up: Slovaks Have an Advantage"]

[Text] According to the latest available data, in the Czech Republic live 370,000 citizens who claim Slovak nationality, whereas in Slovakia 40,000 to 50,000 people claim Czech nationality.

We do not have data as to what extent these numbers correspond with state citizenship in the individual republics, that is, how many Slovaks in Bohemia and Moravia are citizens of the Czech Republic and how many Czechs in Slovakia hold state citizenship in the Slovak Republic. This point is very important precisely in the event that the state breaks up. Although in the present situation we have the citizenship of the republics, in practical life that does not mean anything.

That is why so few people took advantage of the law, which allowed a citizen of one republic to choose citizenship in the other republic by 31 December 1969 (the option right), as well as six months after a wedding to choose citizenship in accord with that of the spouse, if he or she were a citizen of the other republic (Article 7, paragraph 2).

Both the Czech and the Slovak Republics have had their own laws on state citizenship since 1968-69, which link up with Law No. 165/1968 of the Law Gazette. Both amendments differ only in details. In Slovakia, Law No. 206/1968 of 18 December 1968 is in force, according to which a citizen of the Czech Republic can gain citizenship of the Slovak Republic by naturalization (that means, if he applies for it), provided he has been a permanent resident of Slovakia for at least two years. In cases that warrant consideration this term can be shortened or waived, or possibly even the requirement of permanent residence can be waived (Article 10, paragraphs 2, 3). In Bohemia and Moravia, however, citizenship can be obtained by any citizen of the Slovak Republic who has been a permanent resident of the Czech Republic, but even this requirement can be waived in special circumstances (Law of the Czech National Council No. 39/1969 of the Law Gazette of 29 April 1969, Article 10, paragraphs 2, 3). The citizenship of both republics is granted by the ministries of interior through the District National Committees, today through the District Offices. The change of citizenship, of course, has no bearing on nationality, because that is determined by each citizen more or less freely according to his own counsel.

In case the state is divided and the existing legal norms retained, Slovaks in the Czech Republic would have an advantage because the fact that they are permanent residents would be sufficient for them. People, who do not have permanent residency would first have to apply for it as foreigners. It is likely that a considerable number of Slovaks in the Czech Republic, and vice versa, would find themselves in the position of foreign nationals. That would mean that to stay they would need a valid passport issued in their state of domicile or by a diplomatic mission, and a permit to stay issued by the ministry of interior. Their opportunities for work would be substantially limited, and at the same time, in case of insufficient availability of jobs, they could face the danger of being expelled as undesirable foreigners.

If, then, CSFR were to split, the norm should be that citizenship is more than nationality, and therefore that every former Czechoslovak citizen without regard to nationality has the right to stay where he likes. The basis should be the principle that everybody is the citizen of that republic on whose territory he has a permanent residence. Any forced pulling of Slovaks out of Bohemia and Moravia, and Czechs out of Slovakia is out of the question. Up to a certain time—let us say, six months—every former Czecho-Slovak citizen should retain the option right, that is, the possibility of choosing the citizenship of the other republic. For people who would

not choose the citizenship of the republic where they live it would be appropriate to introduce a procedure generally used in the EC countries, therefore a different one than the present law on residency for foreigners. Everyone should have the right to work under the same conditions as a citizen of the republic in question, including instances where jobs are reserved exclusively for the state's citizens. The movement of people, goods, workers, and capital between the two republics should be on the whole free and not subject to any control, same as it will be in the EC countries after January 1993.

DIK Versus IPF Problems Discussed

92CH0553E Prague EKONOM in Czech 23 Apr 92
p 57

[Article by Jindrich Vitnovsky: "Equal Opportunities for Everyone"]

[Text] Is it possible for the legislature—still during the preliminary round of the first wave of coupon privatization—to pass laws further limiting the investment privatization funds [IPF] without discriminating against citizens (DIK [coupon investors]) who combined their coupons in the IPF?

Our aim is a market economy; however, at the same time, we are becoming frightened of it—at least as far as the IPF's are concerned. In the minds of the assessors and authors of the various limitations for IPF, the founders of the IPF are placed above the citizens (DIK) who represent these IPF's. The founders of the IPF are a priori accused of unfair intentions and it seems that a campaign has been launched against them. But one should not forget that coupon privatization is designed for citizens (DIK) who must not be put at a disadvantage, regardless of how they choose to invest their points.

While Eng. Miloslav Gregus (EKONOM, No. 7/1992, p. 21) lists the positive roles that reliable IPF's would have to play in the future, Eng. Michal Zachystal (EKONOM, No. 9/1992, pp. 56ff.) lists everything that an unreliable IPF could perpetrate. He uses two diagrams to document his statements. According to them, he only recognizes those citizens (DIK) who invest their coupon points directly. He does not take the citizens (DIK) who invest through the IPF into consideration at all; but he does pay special attention to the founders of the IPF, whom he suspects of unfair practices.

Diagram 2 in Engineer Zachystal's submission, illustrates how one founder of an IPF (Z_s) can acquire a 40-percent control over the management of the company and can even increase this control by joining forces with another founder of the IPF (Z_{44}). (It is questionable whether experienced administrators of the IPF would have any interest in investing their clients' (DIK's) points through the mediation of several IPF's in a company (issuer) that is offering 97 percent of its shares for coupon privatization.) As an addition to Engineer Zachystal's considerations one could mention the apprehension that it would surely not be difficult for six

different founders of IPF's to come to an agreement and join forces for the same purpose. Nor can one eliminate the possibility of an additional union (association) of citizens who invest directly (DIK—shareholders) for a similar purpose—to control a company.

Above all, however, one must not forget that every individual IPF is an independent corporation, and although it is firmly bound "by an umbilical cord" to the founder to begin with, the cord can be "cut" immediately following the first general meeting (Eng. Dusan Triska, lawyer, CSc, EKONOM, No. 7/1992, pp. 16, 17). In that case, if the founder of the IPF "dropped out of the game," (on whose existence Engineer Zachystal based his vigilant interest) the results of the limitations, which were originally aimed against the founder of the IPF, would affect the citizens (DIK), despite the fact that they disencumbered "their" IPF of dependence on an unsuitable founder.

The diagrams that Engineer Zachystal attached to his article are misleading because they obscure the reality: that the main "actors" are neither the IPF's nor their administrator-founders, but the citizen-owners of the registered coupon books (DIK). I believe that the diagrams (which purport to be a schematic representation of the process of coupon privatization) should represent the participation of all DIK, whether they are investing directly or through IPF (see supplement). If they did, they would clearly demonstrate the disadvantage to the citizens (DIK) who invest through the IPF. While the DIK who invests directly can freely choose a company (issuer), the citizens (DIK) investing through the IPF are forced to invest coupons in companies (issuers) in which they would never invest. Provisions that limit the IPF's investments undeniably also limit the options of the citizens (DIK) who invest through IPF's. Therefore I believe that such provisions should be interpreted as discrimination against a specific (maybe the largest) sector of citizens; maybe this would then have to be resolved by the constitutional court.

The blue information handbook on coupon privatization (published by the FMF [Federal Finance Ministry], p. 25) clearly (and immediately) names an exception to the rule on resolving a relatively small excess of demand, which makes it possible to curtail orders made by the IPF; additional limitations on the IPF (during the preliminary round) cannot be considered to be legally unblemished.

Engineer Zachystal's article, "One Pitfall of Coupon Privatization," demonstrated great apprehension about the proper course of coupon privatization. I believe it is appropriate to remind the author of an article dealing with serious problems of coupon privatization and, above all, with the IPF. (Attorney Vladimir Honzl: "Advertizing and Its Pitfalls," EKONOM, No. 5/1992, p. 27.) The constant intensive and costly "bombardment" of citizens (DIK) by some IPF founders clearly demonstrates that no one cares whether, in some cases, unfair competition occurs and thus that there is an

infraction of the law. This is where one could already look for unreliable IPF founders.

Fair Tax Decision Problems Viewed

92CH0615C Prague HOSPODARSKE NOVINY
in Czech 19 May 92 p 9

[Article by Petr Zahradnik, ministerial counsel, Ministry for Economic Policy and Development of the Czech Republic: "What Tax Rate? It Is Difficult To Find a Just Key for the Collection of Taxes"]

[Text] It is quite clear that the sooner a reduction occurs in the share of the state budget in the distribution of the gross domestic product, the sooner we shall complete one of the columns of the fictitious application to be among the mature market economies. At the same time, however, it is necessary to keep in mind that the extensiveness and importance of the transformation and the necessity to assure a macroeconomic balance require a relatively high degree of mobilization pertaining to financial resources at the central level, together with the need to smooth over a number of wounds suffered by the convalescent patient striding from a centrally planned economy to a natural market democracy. And, moreover, we are going through a highly unstable period in the short term, during the course of which the economic situation of a number of firms and corporations will be relatively uncertain, which will exert a quite immediate influence upon the revenue side of the state budget. For a number of reasons, the state budget can simply not afford to be in deep deficit. But the pressures on its expenditure side will be enormous, particularly in the immediate future.

In other words, the government and the parliament were faced by a very fundamental dilemma. To opt for a lower level of tax rates, making it possible for enterprises to master the upcoming investment wave more easily, to increase their use of money which they have created, despite the fact that their economic efficiency will continue to decline, something which will influence the inadequate level of budgetary revenues. The consequences can then be an adequate throttling back of budgetary expenditures and the risk of an exploding social conciliation or the relaxing of budgetary expenditures with the consequence of a difficult-to-master indebtedness on the part of the state. A second variation calls for a relatively higher tax rate which would, however, support those revenue needs of the state budget with substantially more reliability.

Perhaps of far more importance than the size of the tax rate within a sensible span is the confidence and fairness which are inseparably linked from taxation. The taxpayer must have an absolutely obvious feeling (particularly the individual) that budgetary expenditures are being effectively used for his own benefit. He must have a feeling that his taxes are prepaying for services which can be better provided, and be more advantageous to him, by the state or by a public institution.

At the same time, it is important for the second criterion of tax collection to be fairness. It is relatively quite difficult to find a fair key to the collection of taxes. The verbally described criterion must master one difficult condition: It must not bring about any important disturbance and lack of confidence in society.

The long-term outlook for the development of our taxation system, following the stabilization of the system which is currently being introduced, should, with the emphasis on a fair market society, place constantly less relative emphasis on direct taxes (profit tax, wage tax, personal income tax) and increase the relative share of indirect taxes (consumption taxes, value-added taxes [VAT]) and property taxes.

The need to raise the share of the latter group of taxes is based on a far broader amount of maneuvering room for taxpayers. The payer of direct taxes is obligated to pay taxes in every case of taxable income. It is customary for the majority of people to be employed or to be the recipients of a certain pension, which, in and of itself, compels them to pay taxes. The election of payers of indirect taxes rests on a substantially greater amount of will they themselves exert. They can decide what structure of consumption they will elect, how much they need, or whether they become owners of something or not.

It is likely that the anticipated developmental trend of our taxation system will run in this spirit, provided decisions regarding it are made by competent people who are inclined toward market principles. It can be anticipated that the customary share of the state budget in the gross domestic product, which ranges around 40 percent, as well as the growing importance of indirect taxation in terms of budgetary revenues, will become a reality during the second half of the 1990's. The character of our taxation system, however, is beginning to be manifested in a positive direction already as a result of the introduction of a substantially more extensive roster of deductions and as a result of the broad application of a nontaxable minimum. It must be borne in mind that the transformation has even other macroeconomic priorities which are now perhaps even more important.

Satirical Magazine Views Small Trade Law

92CH0615B Prague DIKOBRAZ in Czech 15 Apr 92
pp 4-5

[Satirical article by Jaroslav Brynda in the form of an opinion poll: "A Poll That Uncovers a World-Class Rarity—Let's Throw the Law Into the Wastebasket"]

[Text] The small business department of a circuit office was visited by an Englishwoman who wanted to teach her language in Bohemia. She was very surprised to find that every foreigner must appoint a responsible agent in such a case. In her case, it was to be a Czech national who had passed a state examination in the English language. This individual was supposed to guarantee that the lady from the British Isles speaks good English. This is stipulated by the world-class rarity in legal science—the

Small Business Law. Its authors are Attorney Marcanova and Attorney Kohout. The legislative responsibility in the Federal Government rests on Deputy Prime Minister Pavel Rychetsky. The law was approved by delegates to the Federal Assembly.

Foreign businessmen are gaping aghast. We have a unique situation on a worldwide scale. The Japanese came and brought computer equipment and wanted to sell their computers here; specialists were to come and train interested customers in Czechoslovakia. When they found that they have to have a responsible agent in this country—a Czech or a Slovak—who would have the appropriate training and five years of practical experience, they could not understand this. And how about the Chinese individual (and he is used to many a thing from China), who finds out that he can open a Chinese restaurant in our country only if he appoints some kind of responsible agent who is a citizen of the CSFR—a cook with a Chinese individual's certificate and three years of practical experience? As of that moment, his eyes become even more slanted.

And what does our citizen do, who decides to go into business or has already gone into business, unaware of what awaits him? First, the story of two young beauticians.

Lenka: "I took a course at a foreign firm which cost me approximately 6,000 korunas [Kcs]. It was at a fantastic level—I am not exaggerating—and it was hard work. Under the communist government, I was not accepted at middle school because my father had a blemish on his cadre record. Now, I can work at a job I like. And suddenly this shock—the small business law. I constantly hear on television and read in the newspapers how important retraining is and how the middle class is the supporting pillar of democracy. And then the delegates to the Federal Assembly approve such a pasquinade. I also have the feeling that those beauticians who received their training under totalitarianism are jealous of us and are afraid of competition. Such a law is nothing less than water to drive the mill wheels of those who became accustomed to doing slipshod work under 'real socialism.'"

Jitka: "I also applied for a course, but when I found out, according to the so-called small business law, I will not be able to go into business, I cancelled my application. I am ceasing to believe our politicians when they prove able to think up and approve such a thing."

"Long Live Stupidity!"

"Hurray for bureaucracy, long live stupidity!" says a young man by the name of Miroslav, when he tells of the problems encountered by his father: "My father is an advanced school graduate in natural sciences and holds a doctorate in natural sciences. He, thus, knows something about the food industry. Of course, in order for him to be able to operate a pub, he obviously knows very little according to the authorities. He does not have a journeyman's certificate in the discipline and thus does not

fulfill the conditions of specialized suitability according to the small business law. Although he was granted registration last year in the catering field according to the private entrepreneur law, this law is valid only until the end of this year. He invested quite a bit in his enterprise—approximately Kcs200,000 based on a loan from a savings institution at a usurious interest rate. He does not know what will happen after the new year. Perhaps he will have no choice but to begin distilling alcohol illegally in the cellar and to sell his product—also illegally—to other entrepreneurs who have the required specialized suitability. Otherwise, he will go bankrupt and the court executor will not be interested as to why.... He does want to operate the pub with the assistance of a person who has the required specialized suitability, but that is another disaster. That person is working as a waiter for the fourth year and holds a registration for that kind of work, which was even issued last year, except that.... Nevertheless, he understands the work and does it at a higher quality than many another waiter; at the end of this year, he is more likely to get a punch in the nose rather than his small business permit because he learned the wrong trade—as a machinist and a mechanic....”

Do Not Amend That Which Is Unamendable

“The small business law cannot be amended. It is so bad that the simplest thing would be to throw it in the wastebasket and start fresh,” said Attorney Jana Oberfalcrova, from the small business department of the Circuit Office in Prague 1. “If that law had gone through the mock-up process, it could never have been approved in the form it is. And the results? An X number of foreign corporations have already fled, as soon as their agents found out all they have to arrange. And our people are constantly more up in arms and when they come to our office they curse us for being communist urchins and complain that so much paperwork did not even exist under the Communists. Others laugh at it all with us. We are visited by unhappy people who have paid for a course (and labor offices are sending them to attend these courses), have graduated from a course, and can now just about frame their diploma and have a picture taken with it. Another problem lies in the qualification tests which are supposed to replace journeymen’s certificates. Such a test is taken before representatives of the small business office, representatives of the appropriate specialized middle school or training center, a small business association.... The content and method involved in the tests should be stipulated by legal regulations, issued by the appropriate state organs of both republics. Here we are at the end of March and nothing has been issued. People are submitting applications and we are keeping them here, photographing them, and sending them to Minister Stepova (the minister of commerce for the Czech Republic) and to Mr. Vopenka (the minister of education). People come and ask every week ‘What is happening?’ and the answer continues to be ‘nothing.’”

Every Paragraph Is a Pearl

The law on small business offers many curiosities. Thus, for example, the cleaning of building facades and monuments is an artisan activity requiring a journeyman’s certificate, together with three years of practical experience. No one was interested in finding out whether an apprentice discipline exists for cleaning building facades and monuments. Apparently, it does not. On the other hand, the operation of a facility to modify and purify potable water is defined as a free reporting activity—it can be engaged in by anyone who has no criminal record. To operate a pawn shop again requires advanced school education and a year of practical experience in commercial activity or a maturity examination and five years of practical experience in a commercial business. Even large enterprises have it tough. For example, the Czech Energy Enterprises submitted 69 applications at the small business department in Prague 1 because they are required to have a different registration for each. In the end, their energy engineers were required to have “only” 54. All data—for example, the name of the person, the seat, the domicile of the entrepreneurs, etc.—must be displayed at the entrance of the operating facility. It is only with difficulty that one can imagine how that many pieces of paper will find room on the entrance gate of a large enterprise. Difficulties were also experienced by a U.S. firm. Its representatives first want to survey the terrain and take care of the “paperwork.” They are in a trap because, according to the law, they are under the jurisdiction of a local small business office, determined by the seat of the organization—in other words, the city of New York. Another pearl is lustration.

“In the case of concession businesses, a special condition is also reliability, which is judged in relationship to the object of the business activity with emphasis on protecting life, health.... No one has told us how we are to make this determination,” says Dr. Oberfalcrova. “Should this not perhaps be a judgment made at the place of domicile? Some businesses and trades refer to the lustration law. These are, for example, detectives or property guardians. We take their application with any attachments and send it to the Ministry of the Interior of the Czech Republic. They return it to us. Not even the Federal Ministry of the Interior wants to engage in these lustrations. They tell us that these people should request lustration on their own, then submit it to us and only then are we to send everything to be evaluated by the Ministry of the Interior. I keep telling them that this is in conflict with the lustration law which specifically identifies the individuals to whom the citizen is to submit a lustration. It is an enchanted circle and no one knows how to extricate themselves from it. We have a whole lot of applications here—some of them from as far back as the beginning of January—and people are constantly coming in to check on the status.”

The term “responsible agent” sounds highly peculiar. It is probably a good living to be a responsible agent.

"That is another matter," says Jana Oberfalcrova, with a smile. "I come to an agreement with someone that I shall be their agent. He will pay me Kcs5,000 and I will lie around at home. The law did not think the responsibilities of the responsible agent through to the end. He is responsible for the proper conduct of the business, but any recourse is addressed to the entrepreneur."

Politicians? Disinterest

Beginning in November of last year, representatives of businessmen and the appropriate departments of circuit offices have been discussing the proposed small business law in the various committees of the Federal Assembly and have been explaining the consequences in which its approval will result. All to no avail. Each delegate then received a letter which contained a justification as to why it is necessary to defer the effective date of the law. While the Czech government and the Czech National Council adopted a sensible attitude toward the whole

matter, the Federal Government and the Federal Assembly rejected the postponement. The only political party and movement which came out sharply against the law is the Association of Czechoslovak Businessmen of the Czech Republic and a handful of Federal Assembly delegates.... And the amendment? At a press conference, Pavel Rychetsky, deputy prime minister of the Federal Government, said that the need for an amendment now is premature and if, six months down the road, minor defects do show up, then an amendment can be considered. From his words, it is clear that he considers the law to be good, on balance; only the attachments somehow did not turn out well. He did not understand too well that people are up in arms against the small business law. None of those present—in addition to journalists, those present included representatives of small business offices and business people—were able to convince the deputy prime minister that the law is actually a bad one.

First Quarter Results, Predictions Noted

92EP0395A Warsaw ZYCIE GOSPODARCZE
in Polish No 17, 26 Apr 92 p 4

[Article by M.M.: "A Sprinkling of Optimism"]

[Text] Industrial production, which was much higher in March than in April, may create some optimism for the future. The same applies to inflation, which turned out to be lower than the official forecasts, something that happens very rarely.

But it seems to me that we must be very cautious about generalizing these signs of improvement. Various serious threats, which could make themselves known only after some time, have not yet passed. Furthermore, I believe caution is necessary in view of the discussions and political disputes which tend to interpret almost everything that happens in the economy in a simplistic way.

The March jump in industrial production is indeed exceptionally large. Production sold in industry rose approximately 17 percent in March (23 working days), compared to February (21 working days). In terms of one working day, therefore, it rose 6.8 percent, which is also a great deal.

Seasonality should also be considered. Figures from the last 10 years show a 3.5 percent seasonal growth in this production in March over February. Therefore, there is still an above seasonal growth of 3.3 points.

The relationships between this year's production and last year's also improved. Compared to the same month last year, March industrial production was only 0.6 percent lower, but there was one less working day in March of last year. Therefore, in terms of one working day, this production was 4 percent lower than in March of last year (in January it was 13 and in February it was 11.8 percent lower than in the comparable months last year). In the entire first quarter, the drop of this production (compared to the first quarter of last year), was 8.6 percent (see table).

Movements in Forecasts

As a result, we have come closer to the drop in this production foreseen in variant I, the current "warning" forecast of the Central Planning Office (CUP) (it was assumed in this forecast that this year's industrial production will be 8 percent lower than last year).

We have come closer, therefore, to the level that CUP warns of. However, we are still, unfortunately, getting further away from the "positive" variant, which envisaged a zero growth of GNP and only a 1.0 percent drop in industrial production. This variant required that after February, for the period of March to December, production would grow an average of 3 percent compared to the comparable months of last year. It would now require, for the period of April to December, a growth of 3.5 percent.

The information on March production also made the PENETRATOR forecasters change their predictions. Professor Wladyslaw Welfe reduced the drop in this year's industrial production from the 7 percent which he had predicted a month earlier, to 4 percent. Director Tadeusz Chroscicki (CUP) changed his from 8 to almost 0 percent, Dr. Ryszard Kokoszczyński from 18 percent to 8 percent, and I changed mine from 12 percent to 8 percent.

Reasons

The drop in industrial production in March was probably caused, in some degree, by the acceleration late in February of the devaluation of the zloty in accounts settlement in foreign trade. Reports on the rebuilding of net foreign exchange reserves during the first 20 days of March of last year, would confirm this. The production sold abroad probably also included the production of the preceding months.

A closer examination of the monetary situation will make it easier to answer the question as to whether, and to what degree, the growth in the sales of industrial production was affected by possible changes in the quantity and speed of the circulation of money. Undoubtedly, the "13" [extra day's pay in a two-week pay period] had an effect on the growth of purchases on the domestic market.

In other sectors, the picture varies. In construction, some signs of production growth had already appeared in the previous months. In March, compared with February, the production of construction-assembly enterprises increased a further 15.2 percent (in terms of one working day, 5.2 percent). Compared with March last year, it was 13.4 percent higher (8.5 percent in terms of one working day). As a result, in the first quarter this production was approximately 11.3 percent higher than last year.

We still do not know what is happening since the beginning of the year in foreign trade. Director Tadeusz Chroscicki, in his forecasts to PENETRATOR, estimates the growth of export in convertible currencies in the individual months of the first quarter (compared to the corresponding months last year), at 6, 5, and 5 percent, respectively. If the rate of export were indeed such and if it could remain so for the whole year, then CUP's "positive" variant forecast of export would be realistic, with this year's export amounting to \$15.5 billion (compared to \$14,641 million last year).

The predictions of the other PENETRATOR forecasters, as regards export, are close to those of CUP: Prof. Wladyslaw Welfe's are slightly lower, and Dr. Ryszard Koszczyński's are slightly higher. But I believe that export may turn out to be even five points higher than had been assumed in the CUP positive variant (it would then amount to approximately \$16.3 billion this year).

I think, however, that import will be much higher than predicted in the CUP positive variant. In its warning variant, CUP assumed a minus \$0.5 billion negative

balance, and in its positive variant, a positive balance of \$0.5 billion. I believe that despite the higher, in comparison with the positive variant rate of export, the balance of turnovers may be lower than in the warning variant. I suggest this in the belief that the Polish economy is not adequately shielded against excessive import. Unfortunately, the accuracy of this suggestion cannot be verified until May, when the promises of the Central Office of Statistics (GUS) on making the delayed information on foreign trade available in the early months of this year, are fulfilled.

Inflation

Retail prices of consumer goods and services in March rose only 2 percent, compared with February, according to GUS—exactly as the Ministry of Finance (MF) had estimated earlier. Food prices rose scarcely 1.2 percent, alcoholic beverages 0.7 percent, and nonfood goods and services 2.8 percent.

The monthly price growth indicators, accepted in the assumptions of the budgetary law, were as follows: first quarter: January, 7.5 percent, which was known; February, 2.5 percent, had been 1.9 percent; March, 3.7 percent, had been 2 percent. The plan for the second quarter envisages: in April, 4.6 percent, in May, 3.0 percent, in June 2.3 percent; average in second quarter, 3.3 percent. Next in the third quarter, an average of 1.2 percent, and in the fourth quarter, an average of 1.7 percent. According to the budgetary plan, the price growth indicator in December of this year, compared

with December of last year, was 37 percent, and averaged 45.2 percent this year compared to last year.

PENETRATOR forecasters are wavering. Prof. Wladyslaw Welfe's forecast comes close to that of the budgetary forecast (but in the fourth quarter he predicts a growth higher than that of MF). However, Dr. Ryszard Kokoszczyński raised the price growth indicators that he had recently clearly forecast for the second quarter, but for the fourth quarter he predicts a weakening in the price growth rate (to 1 percent in December this year). But the degree of uncertainty in the estimates of the inflationary trends is still very high and these divergencies are not surprising. I think that a relatively safe forecast should take into account the possibility of an inflation which is somewhat higher than that envisaged in the budgetary plan, but let us hope, not higher than last year.

It is these impulses, the inflationary effects of which (short-range or revealing themselves after a certain delay) must be foreseen, that will determine the changes to be made in May in the sales tax, and of course, in the recomputation of wages in the public sector. To what degree these impulses will accumulate, and to what degree they will cancel each other out, remains to be seen. We have to take both processes into account. Much will depend on the details which are not yet fully known.

The first reports about March production, therefore, carry with them a sprinkling of optimism, but the economic fabric remains very uncertain. The problems require a more thorough examination, which will be possible as more complete data is available.

Average Growth Indicators Compared With Same Period of the Previous Year

	1990		1991				1992	
	I Qtr	I-IV Qtr	I Qtr	I-II Qtr	I-III Qtr	I-IV Qtr	I Qtr	I-IV Qtr
Industrial production ²	- 29.8 ³	- 24.2 ³	- 5.9	- 8.9	- 12.0	- 11.9	- 8.6	- 8.0 (- 1.0)
Employment in six sectors ^{1,2}	- 8.2 ⁴	- 9.7 ⁴	- 10.7	- 9.6	- 8.7	- 7.8	- 10.0	- 10.0 (- 5.0)
Wages in six sectors ^{1,2}								
Nominal	784.3 ⁴	381.3 ⁴	113.7	99.8	88.4	73.1	32.0	45.2
Real	- 27.0 ⁴	- 29.3 ⁴	15.3	12.8	8.0	1.6	- 6.0	0.0
Consumer prices	1,111.0	585.8	85.1	77.1	73.6	70.3	40.0	45.2 ⁷
Number of unemployed (at end of period)	266.6	1,126.1	1,322.1	1,574.1	1,970.9	2,156.0	2,238	3,500 (3,200)
Unemployment rate ⁵	1.5	7.1	7.1	8.4	10.4	11.5	11.2	19 (17)
Export: in fixed prices, total	8.0	13.7	- 6.3	- 0.3	- 5.6	0.9	—	—

Average Growth Indicators Compared With Same Period of the Previous Year (Continued)

	1990		1991				1992	
	I Qtr	I-IV Qtr	I Qtr	I-II Qtr	I-III Qtr	I-IV Qtr	I Qtr	I-IV Qtr
In current prices in convertible currencies in terms of dollars	11.4	40.9	26.1	27.1	17.3	21.8	—	- 4.4 (5.9)
In current prices in nonconvertible currencies in terms of rubles	6.9	- 9.9	- 79.1	- 80.7	- 84.9	- 87.3	—	—
Import: in fixed prices, total	- 10.0	- 7.9	28.7	43.5	41.3	51.5	—	—
In current prices in convertible currencies in terms of dollars	- 5.1	6.3	103.8	114.2	96.5	87.4	—	- 6.2 (- 3.0)
In current prices in nonconvertible currencies in terms of rubles	- 22.4	- 34.3	- 67.3	- 77.6	- 83.0	- 87.2	—	—
Exchange rate of US\$ in thousands of zlotys (NBP) (at end of period)	9.5	9.5	9.5	9.9	104	11.1	13.5	14.8 ⁷

¹Industry, construction, transportation, communication, trade, municipal economy.

²Excluding organizations employing over five people.

³Excluding private economy.

⁴Excluding municipal economy.

⁵In relation to persons occupationally active.

⁶CUP forecast in April 1992 (in parentheses variant two, "positive").

⁷Budget forecast for end of 1992.

March Figures on Economic Improvement Examined

92EP0424A Warsaw GAZETA BANKOWA in Polish
No 17, 26 Apr-2 May 92 p 3

[Article by Witold Gadomski: "Has the Recovery Already Occurred?"]

[Text] March economic results are clearly better than February results. However, it is uncertain whether the recovery is a permanent phenomenon or whether it is the result of cyclical fluctuations. Although central planning is a long gone concept in Poland, enterprises step up at the end of each quarter just as they did in the past.

In industry there was a 17-percent increase in earnings from the sale of goods and services compared with February. This was the highest monthly increase since the beginning of the recession. While it clearly resulted from the longer month, it was a definite jump for a

comparable period. However, if we compare it with the same period last year, no increase is shown: Earnings were 0.6 percent lower. Thus, at most we can say that a decline was averted. This concerns March alone. For the entire quarter, production was 8.6 percent lower than March production last year. This means that in order to attain the zero growth planned by the government for the next nine months, industrial production should be several points higher than last year's production. Whether this is realistic we shall soon see.

The greatest increase in production occurred in the construction materials industry—41.2 percent compared with February. In addition to the lumber industry, this industry also has the highest growth rate compared to March of last year (increases of 116.6 percent and 13.5 percent respectively). However, for the entire quarter, even these two branches show a decline, although an insignificant one. The greatest recession is occurring in the machine industry (in the first quarter, there is a

production decline of nearly 25 percent compared with the first quarter of last year), in the precision industry (a decline of 32 percent), ferrous metallurgy (a decline of 28 percent), electronics (a decline of 21 percent) and the textile industry (a decline of 22 percent).

Unfortunately, there is no indication that enterprise finances have improved. GUS [Central Office of Statistics] is not giving the results for the entire quarter, but only for two months. Average profitability shows an unbroken decline. If this trend continues, soon it may reach zero. Profitability has been negative since mid-1992 and this trend is increasing. The metallurgy industry, light industry (with the exception of the clothing industry), the means of transport industry, the construction materials industry and transport are all showing negative profitability.

In the first quarter, earnings in construction from the sale of goods and services were nominally higher by 37.2 percent compared with the same period last year. Since the prices of construction-installation work were 20.5 higher at that time, real growth is almost 14 percent.

In construction, the recession was overcome and if the theory of many economists that this sector is the flywheel of the entire economy is true, we will have reasons for optimism.

The table shows trends in housing construction in the last two years.

	Housing Placed in Service	Growth Rate Compared to the Same Quarter Last Year
3d quarter 1989	29,400	—
4th quarter 1989	61,500	—
1st quarter 1990	23,300	—
2d quarter 1990	28,100	—
3d quarter 1990	31,100	105,800
4th quarter 1990	51,800	84,200
1st quarter 1991	23,700	101,700
2d quarter 1991	29,900	106,400
3d quarter 1991	27,900	89,700
4th quarter 1991	47,900	92,500
1st quarter 1992	42,000	177,200

The relatively good results in the construction materials industry also indicate a recovery in construction.

Agriculture continues to be in a slump, although some indicators show a growing trend. The procurement of basic products in the first quarter was significantly lower than last year: Grain was lower by 20 percent, pork was lower by 10 percent, beef was down 50 percent and milk was down by 18 percent. The procurement price of pork in proportion to fodder mixes is 40 percent lower than a year ago. This index reached its highest level last September and since that time it has systematically declined.

However, the index covering sows, which is used as a basis for forecasting trends in breeding, is somewhat higher than a year ago.

Unemployment is steady at a level of somewhat over 12 percent. This "halt" is primarily the result of a change in regulations.

For two months, inflation has continued to decline gradually. This is possibly related to a budget situation which is better than anticipated. The budgetary shortfall was somewhat over 10 trillion zlotys [Z], since the tentative budget projected Z17.6 trillion. There is still too little data to analyze this fact more precisely. GUS does not provide income and outlays, but only the balance. The lower deficit is primarily the result of lower outlays, along with lower income as well, and of a better-than-expected foreign credits balance.

Prices of consumer goods and services in March rose by 2 percent, and during the entire first quarter they rose by 11.6 percent. Last year during the first quarter, prices rose by 25 percent, and if state finances do not break down as a result (this is, unfortunately, possible, see text on page 1 [as published]), we will have a dying trend. However, it is difficult on the basis of first quarter results to assess the whether the assumption of a 45-percent inflation rate for the entirety of 1992 is accurate.

The higher growth rate of industrial production prices over consumer prices is a disturbing phenomenon. On the one hand, this may be a sign of improved profitability, but on the other it may cause an increase in expensive inflation. By comparison with the previous year, the prices of services rose the most quickly: Central heating rose more than threefold, electrical power rose more than threefold, and transportation prices rose by more than 60 percent. The prices of services defined by the state will be a locomotive for continued inflation over the next several months.

The average net emolument in six sectors of the national economy was Z2.309 million in March. Compared with February there was a nominal increase of 9.4 percent and a real increase of 7.2 percent. Compared with March of last year, the average wage was higher by 32.3 percent. At this time, consumer prices rose by 8.1 percent; consequently, real wages dropped by 4.2 percent, which is much less than society thinks.

As in the case of the unemployment index, there was a great discrepancy in wages in individual voivodships.

We shall await April economic results with great interest. These results will make it possible for us to determine whether the recovery is permanent. The first 10 days have already shown that we may expect an increase in inflation.

Effect of Turnover Tax on Prices Considered

92EP0439B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 30 Apr-1 May 92 p II

[Article by Katarzyna Jedrzejewska: "The Budget Is Reaching 12 Trillion: Higher Tax—Lower Margin?"]

[Text] "If businessmen automatically applied increases in the turnover tax to prices, prices would increase by approximately 6 percent," estimates the Ministry of Finance [MF]. "In the average family, monthly expenses for food would have to increase by approximately 1.25 percent. Today, half of the family budget is designated for this purpose, and one-fourth of this is earmarked for processed food."

"The change in the turnover tax rate will be relatively small. The impact on inflation will be absolutely marginal," assured Finance Minister Andrzej Olechowski on Wednesday (29 April). "There is no reason to raise prices on the market significantly."

The minister pointedly directed this last opinion to businessmen, who should lower their margins rather than automatically apply the higher tax to prices.

Let us keep in mind that beginning on 4 May 1992, a 5-percent turnover tax will be introduced for processed food items such as: pork products, processed milk, grain and fruit products, flour, sugar, vegetable fats, food concentrates, and the like. Unprocessed products such as milk, meat, fresh fish, fruit, vegetables, and baked goods made from rye and mixed flours will not be taxed.

Products for children, for example, footwear, underwear and clothing, cosmetic products for children, school supplies, infant bottles, strollers, toys, and board games will be taxed at 5 percent.

There will also be a new 5-percent tax on construction materials and on repair-construction services rendered to the general public.

In addition to the expansion of the tax to goods formerly not taxed, the rates already in effect will be increased: for the casino trade (from 35-40 percent), for sweepstakes (from 5-10 percent), for hunting firearms (from 30-35 percent) and for domestic and foreign private automobiles with an engine capacity exceeding 1,600 cm, and in the case of foreign cars, also exceeding a customs value of 120 million zlotys.

In addition to this, a 1-percent tax on restaurant trade will also be introduced (with the exception of the sale of alcoholic beverages in eating establishments, which are already taxed at the rate of 10 percent). Both wholesale and retail trade will be taxed. This will eliminate difficulties in defining what type of trade is being conducted.

The 1-percent tax on trade will not take effect with respect to the sale of staples, farm products, the means of

production for agriculture, medicines, medical and health care equipment, coffins, wheelchairs, coal and briquettes.

We published the respective decrees from the minister of finance in issue No. 90 of *RZECZPOSPOLITA (ECONOMY AND LAW supplement)*. We also gave the details on 10 April 1992 in No. 86.

"We have not made a significant increase in the luxury tax (in actuality, only the rates for cars and hunting firearms have increased), for if we did we would stifle the demand for domestic goods," said Minister Andrzej Olechowski.

There are two reasons for raising the turnover tax rate: to increase state income and to get taxpayers accustomed gradually to a new tax on goods and services (the so-called value-added tax), which was to replace the current turnover tax beginning on the first Monday of next year.

The ministry estimates that today's change in the turnover tax rates will bring an additional 12 trillion zlotys into the budget. Eight trillion zlotys would come in from the introduction of the tax on processed food and on construction materials and construction-repair services, 2.5 trillion zlotys would be brought in from the introduction of the 1-percent tax in trade and restaurant trade and 0.5 trillion zlotys would come in from the imposition of the tax on children's products. The other 1 trillion zlotys would come in from the tax increase on private cars, casinos, and weapons.

Preparations for Denomination of Zloty Discussed

92EP0420A Warsaw *KULISY EXPRESS WIECZORNY* in Polish 30 Apr-1, 2, 3 May 92 p 6

[Article by Lena Sieragowska: "Polish-Style Denomination: Fewer Zeros in Your Wallet"]

[Text] The Romans used to say that money is the nerve center of everything. Today, just like centuries ago, money interests everyone and always will. This ordinary human sensitivity toward bank notes is clearly growing because of the bad things happening in the economy. On the other hand, it reaches new heights if we hear that some sort of financial reform is being readied.

When Will This Occur?

We have been anticipating this reform in Poland since 1990. It was then for the first time that the word denomination was used. For many it sounded somewhat foreign and ominous. The former NBP (National Bank of Poland) chairman, Wladyslaw Baka, who announced this operation, stated at the same time that its passage would only be possible once inflation fell. Specifically, when it fell into the single digits within a year. This was a rather far-removed perspective, consequently it was assumed that it would calm the population which was apprehensive about their savings. The subsequent

chairman of the NBP, Grzegorz Wojtowicz upheld the denomination announcement. In addition, he assured everyone that the public would be advised of everything six months prior. After all, this entire endeavor will take place out in the open.

According to Wojtowicz's prognoses new zlotys were supposed to have delighted us already earlier this year. Even though this did not occur, those who believed that with the denomination matter ended with the previous chairman were wrong.

This will definitely happen. The intervention to finalize the operation was expressed by Hanna Gronkiewicz-Waltz soon after she became NBP chairman. As to the time we can only be certain that it is not yet known. This very information I just received recently from the NBP press spokesman, Tomasz Uchman. Preparations are far advanced, but not completed. The new bank leadership has not yet had the opportunity to discuss this matter with the administration. Haste is not quite necessary in this case, since the continued high inflation is not good for this undertaking.

In addition, we should wait until the people responsible for the nation's economy and finances finally destroy inflation. It is not worth holding our breath for this, or to be nervous.... This time, however, zloty reform concerns the exchange of bank notes of one issue for another, without fiscal goals. Only three or four zeros will disappear from the bank notes, and this has also not yet been decided and is dependent upon inflation predictions for the future.

The exchange will be equal. Regardless of whether someone has a million in a sock, bank, or in a jar buried on his plot of land, after denomination the value will always remain the same. In other words, everyone will have all his money denominated according to the same parameters. If the factor of 1 to 1,000 is adopted, then this will mean that for every Z1,000 we will get one zloty. In case it is Z10,000: We will receive one zloty for each 10,000 note.

The Other Denomination

It is, however, not difficult to be sceptical. This particularly concerns the older generation which lived through the 1950 bank note exchange. In the span of one October night they lost almost everything. That exchange was of a typical fiscal nature, and not equivalent. For an old Z100 note they received a one zloty note. A threefold better rate was used for prices and salaries (three zlotys for a 100 note). As a result, the population's savings fell by 70 percent. Since that time, there has been no exchange in Poland, but that last one still resonates today, evidence of which is the repetitive echo for a similar intervention.

An Eagle With a Crown

Denomination in Poland cannot be compared with the one in Yugoslavia. Poland adopted an opposite

approach. For us denomination should strengthen the already earlier stabilized economy. It should ensure that this economy has a strong monetary unit.

Breathing new strength into the zloty, restoring confidence in money—this is our most important reason for denomination. But there is another important goal, and that is to simplify the nominal structure. The whole money supply is currently expensive because of the number of nominals. A lot of money has to be carried. Astronomic numbers which appear in different arrangements take up a lot of space. Perhaps in a unique sense or in a single piece of paper this is not a very convincing argument. However, if we take the entire economy into consideration, the entire Ministry of Finance treasury section, the whole bank accounting system, then these costs become serious. We are also initiating this entire operation in order to limit them.

One can also look at denomination from the point of view of the old money. Basically it concerns its least painful removal. It so happens that in 1990 at the same time as when Chairman Baka presented the denomination project, a change in Poland's name and emblem was adopted on Wiejska Street (Parliament). It then became clear that a judgement on the Polish bank note had also been pronounced from the political side, it found itself on the index. Only the Z500,000 and Z1,000,000 notes do not contain any symbols of the disgraceful history of the People's Republic of Poland. Parliament has designated the end of 1995 as the date by which all these symbols must be removed. In addition, fate has ordained that the planned denomination will reconcile the economic and political goals very well. This is the one additional aspect of the expected exchange of bank notes.

'Entrepreneurial Incubators' Considered, Rejected

92EP0434B Warsaw ZYCIE GOSPODARCZE
in Polish No 15, 12 Apr 92 p 9

[Article by Krystyna Gurbel, director, Program of Support for the Development of Small to Medium-Sized Enterprises: "Catching a Shadow"]

[Text] The program that I head is carried out by the Cooperation Fund (a foundation of the state treasury set up to disburse foreign financial aid provided to Poland by the Commission of European Communities). It is aimed at supporting small business in various sectors of production, construction, and service (enterprises with fewer than 100 employees). Aid in the form of loans to private enterprises was channeled to two regions—Lodz and Wroclaw. We hope that new jobs will be created because of this initiative in regions particularly affected by unemployment.

The program has been in operation since the middle of last year. Before we resolved to open credit lines (they will be subsequently channeled to Plock and Gdansk Voivodships), we considered the possible use of EEC funds to organize so-called entrepreneurial incubators.

Some foreign experts highly recommended this idea, pointing out that, in the long run, this form of combating unemployment is more effective than restricting ourselves to the payment of [unemployment] benefits. Incubators preparing groups of people to go into business for themselves have made the grade in Spain, France, Finland, the Netherlands, and—on a somewhat different, commercial basis—in Great Britain.

This proposal appeared attractive, all the more so because the European Incubator Network proposed to help us to organize them. However, this project had to be given up because this is a very costly method of training people to operate on their own. According to calculations provided by the Network, the establishment of four incubators would have claimed 5 million ECU's [European Currency Units] over five years. It is assumed that, over this period of time, each incubator would "breed" 10 small but robust enterprises capable of taking care of themselves in the environment of strong competition in the market.

The idea of a collective transformation of the unemployed into energetic businessmen is undoubtedly beautiful and useful, except that it is too costly. Perhaps, rich countries may afford such experiments. We calculated that 25 million ECU's which Poland has for such purposes would suffice for no more than 20 incubators, which would spawn 200 enterprises over five years. We cannot afford to have such costly entrepreneurial incubators in a country in which unemployment has exceeded 2 million, whereas the size of the private sector still remains small. I also believe that it is harmful and unfair to create an illusion that, in our country, incubators may become an effective weapon for fighting unemployment and will lay the groundwork for economic activation in regions affected by the recession the most. Catching a shadow is a waste of effort, energy, and money.

Financing of Housing Causes Controversy

92EP0439A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 30 Apr 92 p II

[Article by Ewa Zychowicz: "The Amortization of Housing Credit: The Amendment and Its Aftermath"]

[Text] At its last meeting, the Sejm rejected an amendment to the 25 January 1992 law on putting credit relations in order. This amendment would have provided for dispensing with the partial amortization of credit granted for cooperative rental housing which was not cost-accounted before 31 March 1992 and was not placed into service before that date. By the same vote, the binding nature of contracts concluded by the end of 1989 to implement construction tasks providing for such amortization was reinstated (however, the Senate has not yet made a statement on this issue).

The amendment also would have provided for restructuring long-term credit for housing investments not

placed into service by the end of the quarter [as published] of 1992 into midterm credit, to be repaid within six months of the completion of these investments. Thus, the Sejm's rejection of this amendment means that we are returning to the old agreements and that the character of credit will remain unchanged.

The belief at the Ministry of Land Use Management and Construction [MGPIB] is that the Sejm's decision has ended the storm created by the government proposals. The Supreme Cooperative Council [NRS] and the group of deputies from the Building Commission protested. They held that the law cannot operate retroactively and that imposing the conversion of credit agreements forces upon the members of the cooperative the obligation to repay a large sum of money in a very short time, which is simply impossible for many families.

The financial consequences of the state's failure to amend the law created controversies during the Sejm discussion about the final form of the law on putting credit relations in order. It is known that the problem affects approximately 60,000 rental units, for that was the number under construction at the beginning of this year. According to the calculations of the construction ministry, budget outlays for credit amortization will exceed 7.5 trillion zlotys. Deputies claim that these outlays can be held to approximately 6 trillion zlotys, especially since 5.5 trillion zlotys was earmarked for this purpose in the first quarter tentative budget. Thus, real outlays will be only 0.5 trillion zlotys. The Ministry of Finance [MF], in turn, believes that the budget liability will reach nearly 3 trillion zlotys.

The recently proposed amendment to the law had matured in an unexpected way. Since last December, housing cooperatives, wanting to avoid obligations resulting from the operation of the law, placed a record number of units into service. At the end of the first quarter of 1992, their number was fivefold the number compared with the same period in the previous year.

We may wonder whether this housing is first quality, since it was made ready so hastily. Undoubtedly, fictitious agreements regarding the choice of apartments were made with tenants, although this was done by mutual agreement and to the obvious advantage of both sides.

[editor's note]

MF representatives refused to answer where they would get the funds to amortize the housing credits. In their opinion, the originators of the amendment to the law on putting credit relations in order should concern themselves with that problem.—D.E.

Radiation Monitoring, Poor Response in Poland

92WN0510A Warsaw ZYCIE GOSPODARCZE
(ENVIRONMENT AND LIFE supplement) in Polish
No 17, 26 Apr 92 pp II-III

[Article by Krzysztof Walczak: "A Radiologically Defenseless Country"]

[Text] The Polish institutions responsible for the radiological safety of the country have not fulfilled the duties assigned to them more than five years ago by the government commission functioning during the "Chernobyl days."

It can be expected that the efficiency of our system of protection against a radiological threat will be even worse than the one that was functioning during the Chernobyl disaster. That is the conclusion of a group of experts headed by Dr. Andrzej Wierusz, which, on instructions from the chairman of the National Atomic Energy Agency (PAA), prepared the "Report on the Consequences of the Catastrophe in Chernobyl."

The main point of the report, which reveals all of the mistakes made in 1986, cannot remain in the sphere of insinuation. When physicists who work with nuclear energy and know the real threat speak of the "country's lack of preparedness for an atomic failure," then the average person has a right to be frightened. The institutions responsible for this state of affairs have an obligation to explain themselves.

The physicists in Wierusz's commission say that catastrophes such as the one in Chernobyl, caused by one of the many atomic power plants surrounding Poland, e.g., in Koloduj or Ignalino, may again make the newspaper headlines. In the absence of a well-organized system of radiological protection, an alarm by the mass media may be sounded too late, because the cloud of radionuclides may already be hanging overhead.

Yet after the first press reports revealing Wierusz's report, only the Department of Public Training and Information of the PAA reacted. Dr. Stanislaw Latek, head of the department, admitted in ZYCIE WARSZAWY that, indeed, the situation is dangerous, that the newspapers are right, that the report of the experts is true, that the charges are justified, that the failure to fulfill duties has been confirmed, etc. Unfortunately, he said not a word about the consequences.

**Nuclear Power Plants in Countries
Neighboring on Poland From the East
(Lithuania, Russia, Ukraine)**

Name of Power Plant	Distance From Border	Type of Reactor	Number of Power Units
Ignalino	210 km	RBMK ¹	3
Smolensk	540 km	RBMK	4
Chernobyl	420 km	RBMK	4
Chmielnicka	240 km	WWER ²	4
Rowne	150 km	WWER	4

¹A water-cooled reactor with a graphite moderator, regarded by Western experts to be particularly dangerous.

²A pressurized-water reactor.

Annex No. III to the Report of the Wierusz commission, whose authors are physicists Piotr Jaracz and Eryk Piasecki from the Institute of Experimental Physics at the University of Warsaw, is dated 31 August 1991. Since the middle of last year, the government, which is the organ responsible for the radiological safety of the people in Poland, has not deigned to officially respond. The press criticism continues to be ignored, and the safety of the citizens is being ignored. The government, occupied with political disputes and budget skirmishes, is behaving as if the conclusions regarding the lack of radiological protection for the country did not apply to the Council of Ministers.

Who, then, will protect us and warn us if a radiological threat the size of the Chernobyl catastrophe repeats itself?

The physicists in Dr. Wierusz's group write in the report: "The Chernobyl catastrophe should at least have taught us that a serious nuclear power plant failure is not

impossible. The next one is undoubtedly a question of time. The size of the losses sustained will depend in large measure on the degree of the country's preparedness."

The realities are as follows. There is no plan for failure procedures in the event of a nuclear threat. There is no reliable alarm system or way of informing and instructing the people. There is no decisionmaking center. The jurisdictions are scattered and equivocal. There is no government echelon conducting, on an ongoing basis, an analysis of all data, equipped to be able to forecast a situation, and when necessary, able to make a decision recognizing a failure as being a threat to the entire country. Aside from ordinary telephone communication, and we know how that functions in Poland, there is no other system of communication between measurement posts in the field.

Actually, this fragmentary selection of charges from Wierusz's report is sufficient to sound an alarm. But Dr. Latek from PAA supplies us still one more argument

confirming the fact that radiological protection in Poland is scandalously ignored. To wit: Sometimes the Central Institute for Measurement of Radiation Contamination (COPSP), the Failure Service Disposal Center, and the Central Radiological Protection Laboratories, are... cut off from the world. The cause of this seems to be a deteriorating telephone cable under the Zeran Canal in Warsaw.

A serious charge by the commission, directed at the government, is that there is no competent and separate (from existing structures) decisionmaking center in Poland. Dr. Wierusz maintains that in this field, centralization is indispensable. During wartime, the military structures assume decisionmaking powers, but during peacetime there is no plan for cooperation and exchange of information between individual monitoring networks, i.e., those analyzing the state of radiological threat.

There is a measurement and information network consisting of the Radiation Contamination Measurement Service (SPSP), and the Central Laboratory of Radiological Protection (CLOR), but it has only partial decision-making authority. There is also the network of Civil Defense with the National Center for Contamination Analysis and the Anti-chemical Defense Troops, and the heads of this military group. But no lessons have been learned from the Chernobyl period in Poland, when the incapacity of the National Atomic Energy Agency, the Ministry of Internal Affairs, the Ministry of National Defense, and the Central Laboratory of Radiological Protection, was clearly evident. At that time the decisions were made in the party organizations and in the Politburo. Today it is different, but the lack of responsibility and the "melting away" of jurisdiction remains.

In the part of the report that pertains to the radiological protection of Poland, Wierusz's commission included a 11-point program of action. It would be interesting to know how much longer we will have to wait for its implementation. What has to be done? Well, here are the commission's proposals:

- Update and supplement legal regulations and, particularly, prepare a set of procedures to be followed in failure situations;
- Strengthen the radiological protection system by establishing a national analysis and decisionmaking center, based on an enhanced structure of COPSP;
- Set up a centralized system to finance the structure of SPSP, with COPSP/CLOR in the role of main user of the fund; computerize the center, modernize the apparatus in the measurement network and its service, and also conduct training;
- Modify the structure of the SPSP network, together with its alarm section;
- Provide quick and reliable communication, without which a network cannot function efficiently;
- Review and update measurement methods, especially in connection with the general application of gamma spectrometry and adapt to European standards;
- Set up a system of measurement apparatus tests, intercalibrational measurements, and a system of personnel training in the network;
- Ensure the full readiness of the International Control Center;
- Change the role of civil defense in the radiological protection system to one that is service oriented and avoid duplication of the network;
- Hold drills once a year to determine the cooperation of state administration organs in the case of an extreme radiological threat to the country;
- Supplement the medical studies program and post-graduate training to enable them to prepare physicians for the tasks which might come up in situations similar to the Czernobyl disaster.

Dr. Wierusz's group says that the implementation of these "demands" does not necessarily mean large outlays on a national scale. Most of them are of an organizational nature. This statement constitutes an additional charge against every government since 1986 that failed to give due regard to the radiological protection of Poland.

Roman Speech at Sorbonne Roundtable*92BA1004A Bucharest AZI in Romanian 28 May 92
pp 1, 3*

[Speech by chairman of the National Salvation Front and former Prime Minister Petre Roman at a Sorbonne roundtable on market economics held in Paris on 22 April 1992: "There Is No Third Alternative Between Market and Public Sector"]

[Text]

I. How Is a Market Economy Created?

What are the factors that today make us doubt the foreseeably rapid success of the transition to a market economy in the former communist countries?

The following factors seem certain to me:

1. The almost extraordinary contradiction between the new economic freedom in those countries and their limited capacity to protect their traditional or even their domestic markets.
2. Poor work motivation as the state sector continues to dominate.
3. A feeling of alienation among the workers, due not only to the dangers threatening the social class qua economic form of organization with which the workers identify, but rather to the destruction of this class, something that fosters a sense of alienation.
4. The shortage and even absence of human investment caused by the shortage of resources. Along this line, the West should play a much more important role, as Maurice Allais also said: "The only efficient aid that the EEC can give the underprivileged areas is to help educate and train people."
5. Relying too much on our helplessness and on the passive image of the state when faced with the shocking discovery of the lack of competitiveness of our production structures; consequently, a dangerous demagoguery may appear, according to which the strong capitalists are interested in keeping our countries underdeveloped.
6. It is being said that, one way or another, the state-controlled socialist system allowed capital to be accumulated in the form of a primitive capital accumulation. That is not even close to being true, because that should have been a private accumulation of capital. Consequently, we now see in our countries how a large number of directors and administrators, professionals of the communist state, are trying to lay hands on capital that still belongs to the state.

My experience in government has shown me that we must swiftly create a public sector and provide it with sound management. That is because, on the one hand, a liberal economy is not an economy left to its own devices and, on the other hand, there is no third alternative between the market economy and the public sector.

7. It is not enough to blame the great difficulties of the transition on the dismantling of the system. From an economic viewpoint, the incoherent but inevitable mixture of state control and market is making us much more vulnerable in the event of a world economic recession. As soon as the world economy will recover, our transition will be powerfully stimulated.

II. How Capital Can Be Produced

All the Eastern countries lacked and continue to lack capital. The insufficiently developed banking system is also affected by the capital shortage. The problem is not to sharply separate between the state and private capital, but to find and even "create" capital. The solution may lie in privatization and in access to international financial markets.

That does not mean that we must view the inflow of Western capital to Eastern countries as a policy of consciously getting these countries into debt. Let us not forget the market-capital relationship that prompted the EC countries to take steps to integrate the market, and let us recall that national markets have become insufficient for capital accumulation.

As far as we are concerned, the markets are evidently too big in relation to the absence of capital, and that is why it is essential to open them up to borrowed capital. This kind of capital should not predominate, although, for various reasons, that has been happening in Romania in the past two years.

Most enterprises, even those whose products are competitive, are continually threatened by the risk of financial blocking due to the impossibility of appearing financially credible in the eyes of the partners.

Credit depends on financial credibility and competitiveness. Since credibility is initially irrelevant, the performance criterion predominates. Even so, explaining performance in strictly financial terms is almost an unknown, faced with which the creditor will demand guarantees from the government or the national bank. And thus, the state tends to once again become the centralizing power by assuming an obligation to control all the decisions of the enterprises.

The problem becomes pressing when the state stops being the main investor and its place is not taken by anyone else.

In such a situation, the political reaction often takes the form of populism.

In view of the current economic status of our countries, the equation becomes very complex: inflation or unemployment? To what extent can one or the other alternative be chosen as the form of sacrifice, simultaneously with the continual growth of the public debt? The contemporary lessons of the market economy cannot be

exactly applied to the process of East-European transition, which appears to be more compatible with the economic policy model used during the great American recession.

III. Reconciling Economic and National Policies

Who is today responsible in our countries for freedom of action in the economy and in business?

If we are absolutely certain that the state, i.e., the state administration, cannot obtain profits, then we must encourage freedom of action as the only one capable of generating the profits necessary to create capital. Such capital is the only real guarantee for government, namely for taking risks, stimulating investment, and creating the conditions required for development.

However, economic restructuring is incompatible with the mentality and behavior acquired under communism. Individual behavior is strongly influenced by collective behavior. The overall relations among individuals impel people to material solidarity in the face of the pains caused by the transition. Consequently, market forces and the forces of free initiative are not acting either efficiently or linearly. The government is confronted with social tensions and even social disarray.

This is the post-dictatorial syndrome.

A variety of arrangements must be taken into account, as must national consensus, the national will, long-term strategy, large-scale projects, and national projects.

Between economic restructuring and national reconstruction, is the transition the outcome of accepting the laws of the market? Or should it be viewed as a transition to creating?

The strategy of and transition to creating are almost the same thing. It is not the arrow that decides the trajectory, but the Bowman who takes aim and sends the arrow to the target.

What is the relation between the necessity and the effect of the transition? Between the collapse of communism and democracy, or between market economy and a healthy economy?

In every incipient change Aristotle discovered an effective motive. Change requires creative effort. I think that is the only means of abandoning illusions. And we must not forget that after the December 1989 revolution and the fall of the Iron Curtain, the atmosphere was filled with dreams. Not only in my country, but in others, too, one of which was undoubtedly France.

The air must be cleared of utopian dreams by means of realism, which has already happened. Are we better off? Perhaps, but only on one condition. As Gabriel Garcia said: "Well done things are to be preferred."

What are the things well done? Those which governed the relations between people since the birth of democracy.

We must then define the stages of the strategy, the project and its component parts, and the strategy and its stages. As the French say, "New wine in new bottles is a double saving."

Bishop on Regime Attitude Toward Minorities

92BA0974A Stockholm SVENSKA DAGBLADET
in Swedish 24 May 92 p 6

[Article by Hasse Bostrom: "Minority Oppression Romanian Reality: Freedom Symbol Laszlo Tokes Disappointed and Critical"]

[Text] Laszlo Tokes is the minister who started the Romanian revolution. He is now back in the opposition and he is almost as critical of the current regime as he was of the one that fell in December 1989.

"We have a very long way to go toward democracy," he says.

He feels that Romania continues to oppress its minorities. He has been visiting Sweden for a couple of days and met with church leaders, among others. He wants to draw attention to the rights of minorities in his own country, especially those of his own Hungarian people, who number more than two million.

"No one cared about the minority problems in Yugoslavia until the war broke out. We don't want to end up in the same situation," he says.

Laszlo Tokes is a bishop in the Hungarian Reformed Church in Transylvania. The protests against the dictator Ceausescu started among the Hungarians there and culminated in Tokes' arrest by the police. The minister became a symbol in the fight for freedom.

"Only a Trick"

Later Tokes became a member of the national liberation front directly after the revolution. He feels that everyone wanted to work for change from the beginning.

"We realized very soon that it was only a trick, that we were to be used as dummies in order to legitimize the regime."

According to the bishop, most of the old communist power figures remain and many of them occupy the same positions as before. He maintains that even the Securitate is still active.

"I estimate that 80 percent of them still have their old jobs. They visit my pastors and threaten them, they enter the churches illegally searching for weapons."

As proof that basically nothing has changed, he mentions that around 80 percent of the laws that were introduced during the time of the Communists still remain.

Hundreds of persons and their previous activities are still registered in the police archives. He feels that this knowledge gives the police the power to influence people who do not want their past history revealed.

Victim of a Campaign

Personally, he does not feel that he has any position of power left. Instead he feels that he is the victim of a persecution campaign on the part of the regime, which uses television, among other things, to depict him as Romania's enemy number one.

He is a leader of the Hungarian Democratic Alliance, which does not consider itself a party but rather as a coordinating organization for the Hungarian minority.

He feels that suppressing minorities is part of Romanian history. Tokes says that 90 percent of the villages in his native area had a majority of Germans or Hungarians in the 1920's. Even after World War II, 60 percent of the villages had a majority of Germans and Hungarians. Now that has been reduced to 10-15 percent.

During the last five years, 100,000 Hungarians have left the country. The regime does not do anything to make them stay. Last year a constitutional law was adopted, declaring Romania a homogenous state; a mendacious description, according to Tokes. On the contrary, Romania has always been a meeting ground for various ethnic groups: Germans, Jews, Slovenes, Ukrainians, and others. The gypsies, another large ethnic group, number 2-3 million.

The regime fosters anti-Semitism, xenophobia, and neo-Nazism, and Tokes is upset that the government does not want to recognize minorities as partners.

"When even Saddam Husayn could negotiate with the Kurds, it seems that we could negotiate with the Romanian Government.

Divided Churches

After several revolutions in the East, we have become used to see the churches "manning the barricades." To a certain extent this was true of Romania as well. However, the bishop admits that all the churches, more or less, were compromised during the time of the communists. The division between the various churches is obvious.

The elections in Romania have been postponed several times. Tokes believes they will take place first this fall. He does not want to be called a pessimist because of his dismal view of the future, but neither is he an optimist.

"According to my belief, you have to fight for good to happen. Perhaps we are looking at a 40-year trek through the desert, like the children of Israel, but I hope not."

Former Minister Denies Charges of Wrongdoing

92BA0921A Bucharest *LIBERTATEA* in Romanian 4-5 May 92 pp 1, 4

[Interview with Bogdan Niculescu Duvaz, organizational secretary of the National Salvation Front, by Iulia Iorgulescu; place and date not given: "The Senate Commission of Inquiry Does Not Want To Establish the Truth"]

[Text] [Iorgulescu] You were the target of attacks stirred by the presentation of a report by a Senate commission of inquiry dealing with the postrevolutionary government. What is your viewpoint?

[Duvaz] I think that the manner in which the documentation was drafted and the reports were presented showed that the Senate commission of inquiry was not interested in clarifying things designed to reveal corruption and abuses. On the contrary, as can be seen, it denigrated persons or institutions without producing anything but confusion. Instead of presenting alternative solutions or indeed flagrant abuses, the commission practiced personal attacks. The ulterior motive of possible political gain is obvious.

But as you asked me for clarifications, let us together have a look through the report in question. The first point refers to the fact that I allegedly provided full financing for the actions of some youth organizations. I will not comment on the authors' confusion between "organization" and "foundation," but if we assume that the subject was the latter, the reality is completely different. We did not finance organizations as such, but actions and activities, and component aspects of extensive programs developed for the youth. The programs were of course carried out through youth foundations. What was incorrect or arbitrary about that? In the context of an extensive program established for the youth and subsidized by the government institution that was also the main credit coordinator for these activities? The mistake of the commission is more than evident, not to say intentional. Another idea that was circulated was that some of the programs were signed by unauthorized people. Here we have an administrative error imputable to the Youth Department or to the directorates involved, certainly not to the ministry.

Another "revelation" of the commission regarded the "transfer of 9 million lei to the Company for Youth Tourism." The reality was once again different. The actions themselves were not carried out by the Company for Youth Tourism, but through it as a service provider. More specifically, the actions in question were the Costinesti Film Festival and Jazz Festival, the Snow Holidays in Tirgu Mures, and so forth. I want to stress the fact that no business company funded by any capital, state or private, gained by these actions, only the young people on holiday in the resorts I mentioned.

Moreover, the report said that the expenditures made on those occasions were not checked, on grounds that "institutions outside the Ministry of Youth and Sports

[MTS] were funded." Regarding his "brilliant" assertion, I want to inform the gentlemen senators, in case they have not yet heard of it, that the social ministries, especially the MTS and particularly the Youth Department were established for the purpose of organizing, and hence financing, youth activities. In the government decision No. 994/1990 on the establishment of the MTS, chapter A, paragraph C, reads: "The Youth Department will legally issue orders and instructions on the utilization of the material and financial means required for youth activities." I must also point out another major confusion in the report. Intentionally or not—it may be a case of lack of information—the report confused the organization of young plastic artists, architects, or graduates or other art institutes, with the business company Mediapro. The report refers to both as being business companies, something that strikes me as very serious because, let us not forget, this is a document by a senatorial commission of inquiry designed to establish the truth. So far I took the report's heads of accusation one by one. I could go on, but I think that what needed to be highlighted, namely the lack of professionalism and soundness, and especially intentional confusion, have been proven.

[Iorgulescu] You were also accused of other financial "irregularities...."

[Duvaz] Indeed. One flagrant "irregularity" was the criticism that I ordered the allocation of 1.2 million lei in the form of scholarships granted to students of the Ecological University, something that, according to the report, occurred in May 1991. Nothing could be falsier. The attempt to denigrate me found a natural argument in this accusation. The decision to grant the scholarships was made not in May 1991, but in May 1990 (before the MTS even existed) by the minister for sports in the provisional government (Mr. Mircea Angelescu—ed. note).

[Iorgulescu] Were you invited for questioning by the senatorial commission of inquiry about these matters?

[Duvaz] No. They did not even send me a preliminary report as required by the legislation in effect. Normally and legally, before the official presentation in Parliament, I should have been apprised of the viewpoint expressed by the commission in its report, to which I would have attached my reply. That would have been the only way to establish coherent conclusions. The attitude adopted and the backstabbing orchestrated in the Senate once again demonstrate a tendentious behaviour of public disinformation, as well as the enthusiastic application of practices that I had hoped had been forgotten, whereby a person under inquiry is condemned before having his say. The presumption of innocence increasingly tends to become merely a sterile legal speculation....

[Iorgulescu] The press commented at length about certain guarantees you gave to the association Romania Azi....

[Duvaz] I was in no way connected to the granting of any guarantee to the association Romania Azi. Let there be no confusion again between the fact that as a minister, I had several rounds of negotiations with BRCE [Romanian Foreign Trade Bank], but by the time I left, the matter was still at the discussions stage.

[Iorgulescu] What prompted you to state on TV that the "attack came at the right time"?

[Duvaz] I do not think that it was a coincidence that the first part of the report was read out in the Senate plenum three days before the FSN [National Salvation Front] National Convention, just as I do not think it was coincidental that the person who read the material was a senator who had been ousted from the FSN for behaving like a hooligan. Another "coincidence" was that the second part of the report appeared on Wednesday 21 April, i.e., precisely on the day on which FSN 22 December was scheduled to appear in court at the Bucharest Municipal Tribunal. As you see, so far I pointed out two key moments in the current political scene. Something leads me to believe that a possible third part of the report will be made public in the midst of the electoral campaign. A wise old man once told me: "In politics nothing is ever accidental." I found out that he was indeed right.

[Iorgulescu] Nevertheless, do you not think that you made some mistakes in your activities as minister? What do you reproach yourself for?

[Duvaz] I feel guilty about the fact that by the time I ended my term in office, together with Romania's first legitimate government, about 10 percent of the budget earmarked for youth activities had been spent. For that I feel truly guilty. I could have achieved infinitely more for the youth, but unfortunately I did not manage to overcome the inertia, incompetence, and lack of openness. Every beginning is difficult and I was one of those who shouldered the risks of a difficult political stage. I do not regret it. I am only disappointed by the hostility of persons invested with great authority, because they are members of the country's supreme legislative forum, the Parliament.

Agroexport Said To Violate Ban on Wheat Export
92P20304A Bucharest ADEVARUL in Romanian
28 May 92 p 1

[Unattributed article: "Are We Exporting Wheat?"]

[Text] It would seem so, although for several months state reserves have been used to satisfy daily bread needs. Two ships sailing under the Russian flag, the Hudoynik and the Sormovski, with a capacity of 3,200 tonnes and 2,950 tonnes, respectively, carrying Romanian wheat, were stopped by customs in the port of Constanta. Two more ships, under the same flag, are waiting to be loaded. We recall that the export of wheat is prohibited by government order. There is no need for

us to point out that the exporter is Agroexport, a company that has recently been mentioned quite often in our newspaper.

Agroexport Denies Report on Wheat Export

92P20305A Bucharest LIBERTATEA in Romanian
28-29 May 92 p 1

[Statement from the Agroexport Company and Silo, Port of Constanta, Ltd., Bucharest, Romania: "We Are Not Exporting Wheat"]

[Text] Continuing its disinformation campaign, ADEVARUL of 28 May, in an unsigned item, tries to explode another "bombshell": Agroexport is exporting wheat. In light of the enormity of this unfounded assertion, we are making the following explanation: Agroexport and Silo, Port of Constanta, Ltd., Bucharest, is not exporting wheat but is providing transit services for a quantity of wheat that does not belong to the company, just as other specialized firms have done and still do. The wheat mentioned in the ADEVARUL note is not the property of Agroexport, or of any other Romanian entity, but simply goods in transit through the port of Constanta, just like other goods for which the Constanta branch of Agroexport has provided and continues to provide port services for various customers (for example, bananas, coal, phosphate, corn, and even wheat). In addition, this wheat is not of Romanian origin but Hungarian and Yugoslav wheat, as all the documentation, which was recently reconfirmed, shows. There is no need for us to point out that, once again, for the sake of some so-called "sensational news," ADEVARUL is abandoning the truth in favor of some second-hand "information." But in whose interest?

Hungarians Are Top Investors in Transylvania

92P20295A Bucharest AZI in Romanian 27 May 92 p 3

[Article by P.S.: "Foreign Investments in Transylvania"]

[Text] We have learned from the Romanian Agency for Development's Transylvanian branch, with headquarters in Cluj-Napoca, that the countries whose businessmen have invested in this area of Romania can be ranked as follows: Germany, Hungary, Italy, Syria, Austria, France, the United States, Israel, Jordan, Turkey, Greece, etc. Looking at this list, one can see the regional orientation of the investments, the reason why some countries, such as Hungary, appear in one of the top places despite the fact that they have not made any significant investments in the country as a whole. The total volume of investments in joint-capital companies is 325 million lei with the foreign partners holding almost 68 percent. In light of the fact that about 700 joint firms are registered, it can be said that the average capital for these firms does not exceed half a million lei, which means that the majority of these joint companies are small or very small, and if you take into account the fact

that the "giants" produced by cooperation with foreigners have a capital of no more than 20 million lei, then you can get a complete picture of the feeble beginnings of business dealings with fellow stockholders from other countries. In regard to the hierarchy of countries which have absorbed foreign capital, the situation, in decreasing order, is as follows: Cluj (more than half of the joint firms and about one-third of the capital invested), Bihor, Mures, Maramures, Alba, Bistrita-Nasaud, and Satu Mare.

Stolojan Leads Foreign Investment Roundtable

92BA0934A Bucharest ADEVARUL in Romanian
14 May 92 p 2

[Economic debate held in Bucharest on 12 May: "Foreign Capital Investment in Romania: Opportunity or Risk?"]

[Text] As we announced in yesterday's paper, in the presence of Prime Minister Theodor Stolojan, chairman of the Romanian Development Agency; Misu Andritoiu, chairman of the National Agency for Privatization; Adrian Severin, chairman of the National Confederation of Romanian Managers; Aureliu Leca, chairman of the Romanian Banks Association and of the Romanian Foreign Trade Bank; Dan Pascariu, under secretary of state at the Ministry of Economy and Finance; Daniel Daianu, deputy chairman of the Romanian Chamber of Commerce and Industry; Aurel Vainer, of the representatives of the main commercial banks [as published], approximately 100 representatives of foreign firms and economic counselors of the major embassies in Romania responded to our newspaper's invitation, along with the organizers of the exhibit "CERF 92," the U.S. firms Comtech Expositions, Inc., and Computerland, to participate in a debate with the topic "Foreign Capital Investment in Romania: Opportunity or Risk?" on Tuesday 12 May.

Here are the main ideas culled from the transcript of the debates:

Introductory Address by Theodor Stolojan: Mutual Interest

I view ADEVARUL's idea to organize this debate as particularly valuable. That is why I responded to the invitation with pleasure and interest.

At the same time I would like to point out that I will be an inconvenient partner in such an event, on such a topic, and in view of the specific focus of the exposition, because I spent a few good years of my life "talking" to computers, and the computers with which I was working at the time caused me many sleepless nights. Seeing the computers people are using now and the speed with which they work, I was thinking what it would have been like if we had had such computers at the time. Talking to the people with whom we were working, our partners asked: "But what computer system are you using? IBM?"

Romania had some experience with computers and we were able to successfully handle the problems we encountered in the area, primarily thanks to the quality of the people who worked with them. Evidently, the computer industry is an objective and one of the priorities of the government, but I am afraid that a lot of money is being spent on this area, that is, on providing Romania with computers, without always having correctly studied everything that needs to be done to modernize what is referred to as data processing. Obviously, unless we update our information, we cannot very well talk of progress in Romania.

Coming back to the subject of today's debates, I want to highlight two issues:

1. What do foreign investors expect from Romania? This is a question that we will discuss. But I would like to begin by posing the question the other way: "What does Romania expect from foreign investors?" because unfortunately this question is not often asked. Everyone says that it will be good to have foreign investors, but after all, what do we expect from them? We hope to span the economic gap regarding technologies and equipment as soon as possible. This gap exists and one of the means of eliminating it is Romania's wish to have foreign investors come here. So Romania's first expectation from foreign investors is to eliminate the technological and equipment gap as quickly as possible. We also have one priority, which is to use foreign investment first of all in production, as well as for modernizing trade, etc. At the same time, this means that in the current specific conditions prevailing in our country, any foreign investor is welcome in Romania. However, long-term cooperation with Romania cannot involve only coming here and establishing a few sales outlets in Romania. I am aware of the economic interests of the various groups, but as long as the interests of the groups cannot be coordinated with the interests of the country and the economy, someone has to do this coordinating. Romania must also be helped to produce and to export, otherwise the basis for medium and long-term cooperation will soon disappear. Romania has a "bag" of foreign debts that can be filled. This action has begun, but it cannot be continued for long. Romania expects participation in the efforts made, for the benefit of both sides. The profits cannot go to only one side. It is the duty of the Romanian side to make sure that, after it has provided all the facilities, these interests can begin to converge.

2. Second, Romania expects the foreign investors to help eliminate the gap in managerial experience. The issue is to bring as many Romanian entrepreneurs as possible to the level of experience of a market economy. We paid too little attention to establishing mixed companies in Romania. We did have some experience in the area, but while it was numerically small, it could have been much better utilized in the new conditions. It could have provided a means of intensifying foreign investments in Romania and eliminating some of the worries of the foreign investors by jointly participating in the risks.

There is another worry I would like to dispel, involving a dogma with which people come here. We are aware of some of the dogmas with which foreign investors come to Romania and to a number of other West European countries: the concern that the laws change too often, something that apparently can be a cause for concern. In reality, the substance must be seen, and the substance is positive. This is an economy whose mechanisms and infrastructure broke up overnight, and in which new mechanisms and tools had to be built. This is what we had to do, at times without having the time to ask anyone. Developments unfolded quickly and we have had to make corrections.

For example, on 1 January 1993 we will introduce the value-added tax. The objective is positive. We are doing what needed to be done in this country. This country does not have only one, or five, or 10 ten firms. The economy constitutes a whole, and when the whole begins to suffer, one has to intervene and make the necessary adjustments. The interests for the country's wellbeing must converge. When everything begins to be affected, one has to intervene.

This is the kind of situation we had by the middle of November, with its due consequences for the entire economy. But the entire economy suffered equally, because it was a matter of survival. Consequently, there is a favorable framework for foreign investments and I am convinced that gradually this area will provide a substantial help for the recovery of this economy.

In Brief, From the Debates

Liviu Milea is a representative of the firm GEPA Electro-Center. After talking about various difficulties encountered by his firm, including the transfer of profits, Mr. Milea asked: "Mr. Prime Minister, would you invest in Romania?"

Theodor Stolojan: "I would invest, with the idea of not just getting back my investment today, but within a reasonable interval, and with the idea of contributing to the development of this country!"

"I had a special discussion with GEPA. Following the signals that appeared in ADEVARUL, I asked to have a talk with Panasonic, GEPA, and another production firm. The reply I gave then, which I will repeat today, is clear: I would invest in Romania, because I want to remind you that no one lost even \$1 in Romania. The same thing cannot be said of either Poland or Hungary. Romania has paid all its debts, with all the interest due on them! In February-March of this year, we arrived at a difficult situation regarding foreign currency, with the help of the international community. But I repeat, I will never place the interests of one group above the interests of the country, and as long as I will be in charge of this economy I will have to strive for such a consensus of interests. I realize the difficulties, but I did not wish them and we did not wish them. There is no point in explaining why we had special difficulties, they are in the course of being unravelled, including the unblocking of

the stock of lei that is waiting to be changed into dollars. Our request to foreign investors is to help us promote production and generate exports in foreign currency, because no one will be able to support imports any longer. Unless we generate foreign currency savings we will fill up the debt bag."

Dan Pascariu: "A considerable portion of the bag of lei currently existing in the banking system has to do with loans already taken. In the absence of constant and efficient cash, income from exports—instead of reciprocal exports—and in the absence of constant credit, no banking system in the world could meet the foreign currency payments. The system is in difficulty when it has to choose between paying for past nonessential consumer imports, and raw materials, drugs, and so forth. As long as I am chairman of the Banking Association I will struggle to ensure that the allocations are based on the exchange rate and that the mechanism is efficient."

"As for the question of whether to invest, I personally would. BRCE [Romanian Foreign Trade Bank] has already participated with capital in mixed associations in the country in various areas: telecommunications, textiles, and construction materials—all of them mixed companies working for both the domestic market and exports. We have joined in such associations, which we view as profitable."

Adrian Severin: "I want to add a small comment about the dogmas of which we must rid ourselves, the ones with which foreign investors come to Romania, and thirdly, the ones they learned from us. A very large number of investors try to deal with the state administration, and if possible with the top level. The fate of a store is something important, but expecting the Romanian government to take care of it is too much, considering the priorities. While trying to build institutions or bodies designed to protect the Romanian and foreign investors from the automatic procedures of other institutions, I have had opportunities every time to call attention to the fact that Romania is not a country in which all the issues are solved by the government, but that the investors should do what they do in their countries. Most of these operations must be resolved through direct contacts and less through government intervention."

Cornel Lustig, Rank-Xerox representative: "We have been in Romania for 25 years. In 1984, when the great majority of firms went home, we hunkered down, but we stayed. I am in charge of reciprocal exchanges. For that reason I deal with people who wish to buy in Romania. Our problem is one of image, so I want to ask:

"1. Two weeks after you took over as prime minister you convened a meeting on the subject of bribery and corruption. What was done after the meeting, because the corruption system has become almost irrational?

"2. In the same connection, the set of laws that is being promulgated is more than positive, but the manner in which these laws are being implemented—understandable to a Romanian who understands the past

and can take it—is disconcerting to a foreigner. I suggest that the activities of the supervisory bodies be intensified and that resorts be created to which a foreign investor can appeal without problems."

Theodor Stolojan: "I am fairly familiar with how Rank-Xerox managed in the past. The fact that the firm managed to maintain a presence in Romania was an adventure. As for the problem of bribery and corruption, we have been consistently acting in that area. The matter will still take time, but that does not mean that we will not intensify the activities of the state bodies to stem this phenomenon. Unfortunately, we will have to enlarge the prisons a bit, too, because they are becoming too tight."

"As for the implementation of the laws, I do not deny that very many things are still happening in this respect. We have taken a string of measures under the impact of the events, too. For example, all the studies done in the West on the experiences already gathered by the former socialist countries end with the conclusion that state control over property should have been strengthened, not weakened. We have to continue and persist. In this respect, Rank-Xerox's experience in Romania is unique."

Sandu Faig, president of the firm Bucharest-Berlin: "We were one of the first professional companies for audio-video equipment to operate in Romania after 1989. After positive commercial experiences, we decided, together with the firms Electronica and Goldstar, to develop production activities, more specifically to assemble color television sets. About 400 employees are already working at this. It is incomprehensible that our hard currency resources (about \$3 million) should have been frozen for almost five months, waiting for a currency transfer. When will the transfer take place and at what exchange rate?"

Dan Pascariu: "From the viewpoint of the institutions I represent, the commercial banks will make the payments for the amounts existing in the banking system as we receive foreign currency funds, and in line with criteria that will be established by the National Bank."

Paul Shanit, president of the firm Romtrust, Inc.: "Are there any major investors active in Romania?"

Misu Negritoiu: "We have no multibillion investments, although we are at an advanced stage of negotiations for such investments. We think that we have major, important investments in Romania, that we are at a normal stage of development of foreign investments, and that in a period of two years and one year since the passing of Law No. 35 we are on an equal footing with the other East European countries. Judging by a recent study of the UN commission, Romania ranks second from the viewpoint of number of firms. Regarding foreign investments, we placed somewhere between Poland and Czechoslovakia. We have two to three investors from almost every major country. In terms of volume, we have investments of over \$100 million in the machine-building industry or telecommunications, sectors that

attracted large investments, as well as in areas that in the past the Romanian economy had no foreign investments, such as commerce and other sectors viewed as nonproductive. Since the second half of the past year those major firms began arriving in increasingly massive numbers in Romania and we are pleased about the ratio of investments."

Doru Nasui, of the U.S. firm Motorola: "Last year we made a medium-size investment in Romania, about \$400,000—the first commercial telecommunications system. We tried to not ask for any assistance from the government and to see if we could manage directly with the Romanian partners. The business went on very well. The investment project has already been a few days in operation. We did not ask for premises or help. We tried to see whether indeed those who mean business can do something in Romania. The answer is, Yes. Our question is whether the authorized bodies in the country, in the telecommunications system, can protect an operator or not. In other words, there is a protection formula for operators. As soon as a decision is released, the operator will be protected. My question is, does the Ministry of Telecommunications act as a regulator or as a protector?"

Theodor Stolojan: "The Ministry of Telecommunications cannot lead of policy of favoring one investor at the expense of another. In the communications sector, which received very massive international support, there will be several foreign investors, not just one. So if there are unclear things in this respect, please write a query to the government and we will find out what is involved. As far as I know, in the telecommunications system there is only one mixed company, and the field is open to all partners."

Ion Cioflan, Honda representative: "I went straight to the producer regarding engines and strategies, and I found complete understanding on the part of the Japanese partner. But what is happening at the Miercurea Ciuc tractors plant is unacceptable. We are working on the project of a tricycle for the handicapped and a 25 HP Honda tractor, which Honda has accepted. The project can go into production. But we are behind schedule, because the Miercurea Ciuc company borrowed 700,000 lei from the bank and another firm, Romfertil, dealing in reciprocal deliveries of chemical fertilizer, is late making its payments. Consequently, the plant in Miercurea Ciuc cannot begin to put this tractor into production. We already have 50,000 domestic orders and 10,000 from the Netherlands. The second problem regards Mirsa-Scut, Ltd., where the middle management is not interested in foreign investment, in investments that promote production, in changing the mentalities, or in new technologies. Not to mention the existence of export guarantees."

Theodor Stolojan: "I am interested in the Honda matter because it concerns agriculture. Please give me a note and we will see what can be done."

Gheorghe Popescu, representative of a group of foreign firms in the Romanian market: "Regarding the dogmas that were mentioned, in my opinion there are two dogmas that interfere with foreign investment in Romania. The first is the fact that the leu has no value. In my dealings with various foreign investors I have tried to demonstrate that the leu can be worth something. The leu has never been mentioned as investment currency. The fact that investment projects produce lei and that there is pressure to turn the lei into dollars shows the absence of such popularization, which should have given value to the leu. The reverse then appears and becomes reflected in another dogma, namely that the investor is primarily a thief. At that point the entire bureaucracy infrastructure looks upon us as thieves. There must never be exaggerations. Where one got the money should be left for later inquiry. The money should be received as investment, and only after that should there be inquiries where it came from. Let us invest the leu with value. Let us show the foreign investors that they can buy factories and plants or that they can enter into associations with them."

Vasile Lăceanu, economic director of the Romanian-German firm Adagrirom for electronics, constructions, and industrial activities: "We invested our last year's profits, over 300 million lei, in a productive activity. This year, too, we contributed another 200 million and the revenues are of about 200 million lei. We calculated 200 lei for \$1. Now we will pay 226 or perhaps more, which means that our profit will go to the devil. In such conditions, the investors don't want to come anymore. If the investor loses money, he's not interested. So we must seek a solution to this problem. If we sold goods at 200 lei per dollar and now we have to pay 226 lei for \$1, the balance sheet is negative. The investment consisted of the capital laid down. Goods were sent for \$12 million on a consignment basis. The profits stayed in the country."

To the final question, asked by Mr. J.A. Seroussi, president of the Canadian firm Serjos Canada Inc., Mr. Theodor Stolojan answered: "We have received a few good pieces of advice, one of which came from you. You were good enough to send me a note after the publication of certain signals concerning the current situation in ADEVARUL. That note was a real source of inspiration to me. Every person, when they weigh a situation, needs a certain concept, a certain understanding of the situation. What you wrote in that note was very important to me, because in fact it coincided with the solution we were searching for and which we have implemented. Your investments are very important and I wish you great success in Romania!"

The debate was organized by Viorel Salagean and Mihai Ionescu.

Appeal on Problems in Agriculture

92BA0985A Bucharest DIMINEATA in Romanian
22 May 92 p 2

[Appeal by Democratic Agrarian Party issued in Bucharest on 20 May 1992]

[Text]

Appeal by the Parliamentary Group of the Democratic Agrarian Party of Romania [PDAR] to the Romanian Government and the Prime Minister

We must preempt the outbreak of a large scale social movement that, according to our information, will next week rally the majority of land owners and workers in the agriculture, food industry, and food marketing.

Unless the problems left pending since November 1991 and others more recent ones are resolved, traffic will be blocked throughout the country for three-four days and work will come to a standstill in every plant (bread, milk, etc.).

Some of the unsolved problems are:

1. Of the 2 million hectares laboriously and belatedly sown to grain, only 200,000 hectares were treated with fertilizer, and the same situation prevails regarding the spring crops. Less than 30 kg of active substance is being administered, like last year, instead of 250 kg per hectare, while the remainder goes to export.

2. The hard currency required to import all the potato seed and pesticides, herbicides, and disease fighters has still not been provided. More than 700,000 hectares sown to wheat and rye have not been treated with herbicides, and people are desperate because they have nothing for spraying the potatoes, vineyards, fruit trees, etc.

3. Not even 60 percent of the fuel promised has materialized.

4. Of the 80 billion lei approved in accordance with Decision 54 for providing agricultural loans at up to a 15-percent interest rate, only 40 billion have been provided, and that only for certain agricultural producers.

5. It was said that no interest rates higher than 15 percent would be charged in the agricultural sector. That decision is not being observed. Interest rates of 65-70 percent are being applied, and, to top it all, on unpaid loans from 1991 and on property left unsettled in the wake of the implementation of Law No. 18. People who invested millions are now in a desperate situation and are capable of ending their lives.

6. Protein fodder, let alone livestock drugs and treatments, which always used to be imported, is nonexistent. Of the 1 million tons required for the period of reference, only a few groats and soybeans have been imported. The

consequence is that the meat and eggs production is dropping and what is worse, we will lose the breeding stock for fowl and pigs.

7. For all kinds of reasons, there is no irrigation. The Dobruja area is under severe draught and toward Vaslui either there is no power, or the prices have not been correlated, but the bottom line is that the land is not being irrigated.

8. We want only to recall that many problems have still not been resolved regarding the implementation of the landstock bill. The elected mayors have inherited considerable irregularities from the appointed mayors. Only 678 of the 10,000 tractors that could have been used in the agricultural sector have been received. We will not even mention what has become of the agricultural engineers, food industry modernizations, the situation regarding agricultural research, and the lack of correlation between the prices of agricultural and industrial products.

9. Four times the Chamber requested and heard a report by the Agriculture Ministry, and four times other ministries, vital for the continued existence of agriculture, were summoned, but they failed to appear.

10. Ladies and gentlemen, if anyone, of whatever political stripe, thinks that farming can be practiced in Romania or anywhere else in the world without tractors and agricultural machinery, without fuel and pesticides, without fodder and money, let them come forth, but we think that in the present conditions they stand the best chances of disgracing themselves for life.

[signed] Victor Surdu, chairman of the PDAR group in Parliament

P.S. Most of the deputies members of the Commission for Agriculture and Food Industry have endorsed this text.

New Data on Sibiu Chemical Waste Affair

92BA0984A Bucharest DIMINEATA in Romanian
22 May 92 pp 1-2

[Report by Marius Vintila: "New Revelations About the Sibiu 'Bomb'"]

[Text] The situation is now clearer. (At the hour at which I am relaying this report, a press conference is being held at the Ministry of the Environment. The colleague attending there will report further details.) A large team made up of experts from medical nuclear radiation and toxicology laboratories, accompanied by authorized representatives of the Environmental Protection and Supervision Agency of Sibiu and of the Civil Defense General Headquarters, carried out investigations and findings in the presence of the head of the Storage Service of Indes, Ltd., regarding the suspicious barrels I mentioned in my previous report. Toxic industrial waste was found in 26 barrels, 22 of which had been sealed by the police. It was

also established that the "packages" in question contained toxic matter, insecticides, herbicides, etc., some of them with a strong, irritant smell. Forty-eight of them were wrapped and labeled: "Fireproofing Material and Insecticide."

General findings: The useful lifespan of all the products in storage has lapsed. Experts from the Radiation Medicine of the Preventive Medicine Center used a radiometric method (Gamarad sounding lead, DL-7) to check the surface of all the packaging and the materials stored at S.C. Indes, Ltd., of Sibiu. The values registered were within the range of the natural radioactive background (0.01-0.02 MREM/hour) and ruled out beyond a doubt the possibility that those materials may be radioactive. That, however, did not stop the policemen from calling on the special Interior Ministry lab. The participants in the investigation jointly established measures to ensure the guarding and safety of the materials in storage, and to decontaminate the premises after all the toxic matters were sent back. In other words, precisely as we were saying in an article entitled "The West Can Keep Its Waste!", it was said that we, newsmen, had alarmed the public for no other purpose than sensationalism and that we had created the impression that such toxic materials may be found in other places, too. Unfortunately, we were right! As it turned out, 50 barrels were found in the laminates and rust-free storerooms of S.C. Indes, Ltd. Many other receptacles were also found in communes around Sibiu bearing the labels Pyrolan 64; 12 barrels with Giesil anticorrosive; two jerry cans with the insecticide Corenin E.C. 40; a case of Radox [furnitox] and one with proxin gas; two barrels of Tekama Diclors 50.0 pesticide; one case and several [words missing] of quick-setting putty. The warranty date on all of them had expired, which makes them industrial waste. The export and import of such material is forbidden under the provisions of the Basel Convention.

We will now go "backstage" to see the importers, "hosts," and customs officers for some clarifications.

... Here is Mr. Gabriel Jaeger, ... dead tired after so much running around in the West to shed light on the affair of the "barrels" of the company Pine Pack SRL, which has two associates: Messrs. Mircea Schiopoaie and Victor Manfred Burtea who, after several attempts to avoid the press, in the end agreed to answer a few questions. No doubt some of the media did exaggerate when they talked of people "blinded" by toxic materials or about what might happen, but hiding the truth is a harmful practice. The role of the media is to inform us. When that is done right and without exaggeration, the public is well informed and street rumors fail to have an effect.

The two Romanian partners assured us in their statements that there was no connection between the toxic residues found at Indes and the signs of household waste burning mentioned before by our newspaper, because, we quote: "Once the Environment Ministry decided against the project, the thing was dead." As we said in

the previous article, the dyes were discovered because Indes urgently needed a large quantity of metal paint, which Mr. Gabriel Jaeger promised to procure—he is the foreign partner of the two who, on behalf of TPI St. Ingbert, signed in Tirgu Jiu and Sibiu a protocol and a contract for burning household waste with the blessing of Messrs. Dolphi Drimer and Marcian Bleahu. The import licenses were at hand (I/2/32/10057/29 January 1992) for the putty. The final incoming customs check was done in the yard of the Indes company in the presence of a customs officer, a representative of the exporter TPI St. Ingbert, the two above mentioned, and Messrs. I. Grecu (commercial manager) and N. Grigore (chief accountant). It was found that the goods received did not match the accompanying sheet and that 40 of the 200-liter barrels that had arrived contained unidentified materials. The 40 barrels were left in custody at Indes waiting for the exporter was to pick them up within 14 days. That happened on 2 April. Now, in the second half of May, the barrels are still in Sibiu! In the Saar Land, from whence the barrels of toxic waste came, the Environment Ministry approved their export to Sibiu. That information came to us from the newspaper SAARBRUCKER ZEITUNG of 7-10 May 1992. The international organization Greenpeace demanded that the Saar Land authorities take the respective material out of Romania. Moreover, a Greenpeace spokesman suggested that "Minister Jo Leinen himself should drive a truck to Romania." We hope he will enjoy all the provisions of the ministerial protocol.... Anyway, Greenpeace offered to provide a "friendly escort," SAARBRUCKER ZEITUNG added. The chief of the customs office in Giurgiu, Mr. Victor Predescu, told us that "A quality certificate for the goods was not required by any legal decision in effect. Such a document is an option jointly decided by the seller and buyer as a special delivery clause, in accordance with the COTERMS 90 conditions established by the International Chamber of Commerce. At the date at which the import took place, the goods in question showed no revealing signs (leaks, smell, etc.) to contradict the declared specifics and to certify the existence of industrial waste...." He also added that, "In contrast to the Germans, the Romanian customs authorities do not possess the skills and technical equipment required to evaluate the goods imported or exported." That may not be the only difference between us and the Germans!

At Indes, Ltd., Sibiu, the hospitable host of the 100+ 30 barrels, Engineer Ioan Medoianu, technical manager of the company, said: "When the goods arrived at the plant, the first thing that puzzled us was the absence of quality certificates. No goods can come into a country without such a certificate (Ah, but they can, can't they?). That is why we agreed to put the barrels in storage. Later, when the storage chief alerted me to the presence of several barrels with unidentified contents and to the fact that the exporter was TRI, about whom I had in the meantime seen a movie and read in the ECONOMIST, I made the connection and reported to the police. Some people scolded us (us, too!...) for having caused a real scandal,

but I think it was a good thing, so that it won't happen again!" We subscribe to that!

P.S. The Saar Land court ordered a ban on TRI's activities. And there is no haggling with the law! But what law do we have about industrial waste?

Media Urged To Help Curb Spread of AIDS

92P20298A Bucharest ROMANIA LIBERA
in Romanian 28 May 92 p 5

[Article by Carmen Antohi: "AIDS: The Danger That Awaits Us"]

[Text] The spread of AIDS in Romania is becoming a reason for concern. Constanta County occupies first place in respect to the number of children infected, with 666 cases as of the end of 1991, and there are 100-199 cases recorded in Bucharest and in Giurgiu and Bacau counties. Dr. Rodica Matusa told us that from July 1989 to the present, some 1,300 cases of infection with the HIV virus, in both adults and children, including 730 cases of AIDS, were diagnosed in Constanta County. Approximately 15 more adults and children are infected each month and the mortality rate is four cases a month. We hold the sad record of having 54 percent of the total number of AIDS cases in children in Europe. The number of cases of AIDS diagnosed in children living in families was 435 as of 30 September 1991 while the

figure was 1,025 for children who have been abandoned or children in institutions. The number of infected children is decreasing. But, as for the number of adults, according to Dr. Laurentiu Zolotusca (from the Director for Epidemiology and Preventive Medicine in the Ministry of Health), the distribution of cases is like a "blob of oil." There were 105 known cases of AIDS in adults as of 31 December 1991, including 55 cases in Bucharest. As long the AIDS epidemic is not considered to be a matter of maximum importance in Romania these figures will increase fivefold or even tenfold during the coming years. There must be intensive, continuing involvement by means of governmental financing programs in order to prevent, in the best way possible, the danger that awaits us. It is a serious mistake that society has not been prepared, through the mass media, to accept the fact that the transmittal of AIDS by means of heterosexual and homosexual activity is a somber reality which must be taken into account. Also, Romanian couples still do not accept the idea of preventing infection by the use of condoms. In light of the fact that millions of pounds sterling have been spent in Great Britain to present the danger of AIDS on prime time television, with very good results, let us make a suggestion: Would it not be better to use the time devoted to the broadcast by Emanuel Valeriu [former director of Romanian television] to save the population from this curse? In this way, television would use broadcasting time for the good of the people. It has immense obligations to its viewers....

Kljusev, Bozovic Discuss Economic Ties, Transit
92BA1015A Skopje NOVA MAKEDONIJA
in Macedonian 31 May 92 p 3

[Article by S.N.: "Decisions on Unsolved Problems"—first paragraph is NOVA MAKEDONIJA introduction]

[Text] Trade accounts between the two countries will be settled in convertible currency. Macedonia will be allowed transportation access in exchange for unobstructed development of the trade between Serbia and Greece.

Two days ago, a long-expected and repeatedly agreed-upon meeting between the prime ministers of Macedonia and Serbia was held, in the presence of the sectorial ministers of both countries. We were told that joint interest was expressed, in the course of the discussions, in expanding collaboration and eliminating all problems that obstruct economic cooperation.

The government delegations achieved proper agreement on the means for the development of trade and transit. The signing of these two significant documents had been delayed. However, we found out that in the next two or three days, and most probably in Skopje, the involved ministers of the two countries will clear up all of the issues related to such problems and will sign the agreement and the protocol.

In the course of the discussions, Nikola Kljusev, the Macedonian prime minister, explained that a way must be found for joint cooperation and coexistence. This is needed in order to enhance the economy, which is currently in a recession because of the customs fees that obstruct trade and the flow of goods between countries. We are in favor, Prime Minister Kljusev emphasized, of a peaceful resolution of the problems through dialogue and in a spirit of friendship with all countries. He explained that cooperation and trust could exist between Macedonia and Serbia because this is a matter involving neighbors and related economies. Because trade for the time being cannot be pursued in convertible currencies,

accounts will be based on such currencies, and payments will be made in national currencies.

In his presentation, Kljusev also pointed out that, for the time being, Serbia is facing grave problems and that the embargo to which it is subject will mean a difficult situation, which, in itself, will call for cooperation with Macedonia. That is why, he also explained, that customs fees are not necessary because joint agencies and banks exist in both countries, which, in itself, indicates the need for efficient relations and further joint cooperation.

This was also stated by Radoman Bozovic, the Serbian prime minister. He unequivocally stressed that interest in and desire for further cooperation exist, particularly in economic affairs. Bozovic insisted at the meeting on the need to improve transportation relations and especially for Macedonia to make possible the unobstructed development of transportation between Serbia and Greece because road and rail traffic leading to Serbia through Macedonia are the most advantageous. Reciprocally, Bozovic emphasized, Serbia will provide Macedonia with "freedom of transportation" to any country, without any restrictions.

It was agreed, in the course of the exchanged views on relations between the two countries, that the agreement on trade that is to be signed should specify that accounts will be based on convertible currency and that payment will be made in the national currencies of the two countries. Because this will involve work in two different monetary systems, initial agreement was reached to open currency exchange offices at border-crossing points. There will be a special addendum on the payment of fees and of fuel for the drivers, the best solution of which would be on the basis of reciprocity, liter for liter, the same as the agreement made by enterprises for trading derivatives between the two countries. To facilitate payments, it was suggested that nonresident accounts be opened for juridical persons in the banks of the two republics. What the result of all this will be remains to be seen. We have unofficially learned that the sectorial ministries of Macedonia and Serbia will coordinate such agreements on Tuesday at the meeting to be held for that purpose.

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